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Presence of Observers at Ibero-American Summits Rejected

PY1104192795 Madrid EFE in Spanish 1841 GMT 8 Apr 95

[FBIS Translated Text] Santiago, 8 Apr (EFE)—Jose Luis Dicenta, Spanish secretary for international cooperation, today said that Spain believes Ibero-American summits should continue to be restricted to 21 countries without the presence of observers who have requested invitations.

Dicenta was in Santiago to sign the agreement relating to the third Joint Spanish-Chilean Bilateral Committee meeting. This meeting proposed new bilateral cooperation formulas, including "triangular" cooperation operations to allow the implementation of joint aid programs for less favored countries in the region.

The new projects to be implemented in the next three years will be financed with an initial fund of $15 million and with another $6 million from a joint cooperation fund. With projects from the autonomous communities, townships and non-governmental organizations, this cooperation may total $70 million.

During a meeting with foreign correspondents today, Dicenta praised Chile's approach in this field because it has a Ministry of Planning and Cooperation and an International Cooperation Agency.

He also referred to the upcoming Ibero-American summit, which will be held on 16 and 17 October in Argentina, probably in Buenos Aires, and to the works undertaken to implement the cooperation programs agreed upon during such meetings.

Dicenta said that to date only eight of the 21 Ibero-American countries have approved the Indian Fund established at the Cartagena de Indias summit, for which Spain will grant $50,000 for the next meeting on this issue, to be held in Santa Cruz, Bolivia.

He said that all cooperation projects, such as those promoted by the United States in its continental summits, are good, "but different from our Ibero-American project."

Dicenta said that different countries may establish ties and exchange experiences either before or after the holding of these summits, but he rejected an eventual expansion of the Ibero-American summits to allow the presence of foreign observers.

Dicenta stated that despite the efforts made by some countries, which he did not identify, to attend the Ibero-American summits, "the 21 countries in our region will continue to attend these summits without the presence of observers because this might distort the meaning of these meetings."

G-3 Deputy Ministers Hold Annual Review in Mexico

PA1104135895 Mexico City LA JORNADA in Spanish 10 Apr 95 p 35

[FBIS Translated Text] In their annual meeting of deputy ministers, the Mexican, Colombian, and Venezuelan Governments expressed their decision to strengthen the Group of Three [G-3] as an instrument for economic integration and cooperation and as a mechanism for political consultation and concerted effort, the Mexican Foreign Ministry reported.

The Ministry stated that in the meeting held in Jiutepec, Morelos, the delegations made a detailed reviewed of the advances and actions to be undertaken by the 13 working groups established within the framework of the G-3 since 1990. These groups deal with issues ranging from trade to culture, energy, transportation, and tourism.

They also reviewed the outlook and progress in implementing the Free Trade Treaty among the three countries that went into effect on 1 January, stressing the need to promote it among their respective economic sectors.

The delegations, headed by Deputy Ministers Sergio Gonzalez Galvan of Mexico, Diego Cardona of Colombia, and Roy Charderton of Venezuela, addressed topics dealing with G-3 cooperation with Central America and the Caribbean. On this point, they agreed to intensify additional joint cooperation in those regions.

The delegations reiterated that the political context for cooperation with Central America will continue to be the Caracas Commitment, signed by the nine presidents of the region and the G-3. These actions will be combined with those established in the Alliance for Sustainable Development, recently implemented by the Central American countries as a framework for development and international cooperation.

Brazil Urges Extended Mercosur Exception List

PY1104011795 Sao Paulo GAZETA MERCANTIL in Portuguese 3 Apr 95 p A8

[Article by Maria Helena Tachinardi]

[FBIS Translated Text] Asuncion, Paraguay—Following exhaustive explanations about the need to adopt a 150-item list of additional exceptions to the Common External Tariff (CET) list, the Brazilian Government managed to convince its Mercosur [Common Market of the South] partners to accept again discussing the issue on 18 and 19 April in Asuncion, during an extraordinary meting of the Common Market Group (GMC). Argentina, Paraguay, and Uruguay acknowledged the "urgency of the subject" and promised to give an answer as soon as possible to allow the measure to come into effect on 1 May, according to the petition made by Brazil.

That was the main decision made during the GMC meeting that ended at 2400 on 24 March. The GMC also decided to extend until 31 December the authorization allowing Brazilian businessmen to continue to import sophisticated capital goods that are not produced in Mercosur with a zero import tariff. These products, known as "ex," have cost Brazil nearly $1 billion during February, thus contributing to increasing the trade balance deficit to $1.095 billion. With the decision made in Asuncion the Brazilian Government expects businessmen to distribute their purchases of "ex" goods over the entire year, and not concentrate their orders in April, given the guarantee that the benefit has now been extended through the end of the year.

The Brazilian delegation informed the GMC about the decree published in the DIARIO OFICIAL DA UNIAO on 24 March that extends until 30 April the reduction in import tariffs imposed since 1994 with the object of maintaining the economic stability plan. This affects over 500 goods on which Brazil has been paying a 2 percent import tariff with the authorization of Mercosur. The Brazilian Government wants to place some of these products on an additional list of exceptions. Although Brazil did not obtain what it wanted with the immediate approval by its Mercosur partners of an additional exceptions list, it nonetheless gained time to maintain domestic supply with low import tariffs until the end of April.

By petition of Brazil, the GMC must make a decision on 18 and 19 April regarding the 3 percent statistic tariff Argentina charges on imports coming from third countries. According to Argentine negotiator Ambassador Jorge Hugo Herrera Vega, the measure will not cause problems for Mercosur, because the statistic tariff is consolidated in the WTO [World Trade Organization].

The presence of Economic Coordination Secretary Jose Milton Dallari in Asuncion was essential for explaining the Brazilian petition for an additional exceptions list. For example, he explained that Brazilian aluminum can factories have sold their production for the next 24 months, just as in Argentina. "Why have a high import tariff when the problem affects the region, and not only Brazil? Why increase internal costs unnecessarily?" Dallari asked. He was thus attempting to convince his Mercosur trade partners, and especially Argentina, which on 23 March was the country most opposed to the Brazilian petition to add 150 items to the list of exceptions, the purpose of which was to reduce import fees, restrain pressures to increase prices, and supply the domestic market.

Brazilian Mercosur negotiator Ambassador Jose Artur Denot Medeiros said that Brazil would not only consult its trade partners when making the list, but also attempt to "influence the private sector to buy its supplies from Mercosur." He used another argument to convince Mercosur partners: "Brazil is the most important economy in Mercosur. Brazilian economic stabilization is essential as it generates additional demand, increasing exports from the three partners of the Brazilian market."

According to Dallari, Brazil wants to place raw materials and foods on the additional list of exceptions, which is supposed to be in force for a year. The Brazilian Government intends to change the items on the list every three months, according to the season. The Argentines said they preferred a fixed percentage, that is, that 30 percent of the goods on the list not be altered, and that Brazil warn of the changes before making them. Dallari will have until 18 April to prepare the initial list of goods that will be the subject of negotiations during the meeting of the GMC.

Brazil and Argentina did not manage to reach agreement on domestic policies on agricultural subsidies, and included the subject on the agenda of the Mercosur Trade Committee. The problem is caused by the "de minimis" rate applied to the agricultural GDP, the collection of which is meant to modernize the farming sector. The Brazilian GDP in 1992 was $42 billion. Brazil suggests a 10 percent "de minimis" for internal support, or the equivalent of $4.2 billion, but Argentina wants only a 5 percent subsidy rate.

Another problem that cannot be resolved in Asuncion is Uruguay's complaint regarding the import tax applied by Argentina to leather and vegetable oil seeds. Uruguayan Mercosur negotiator Ambassador Guillermo Valles feels that the problem was not negotiated in Ouro Preto, as the Argentines allege. Valles thinks that the subject must be resolved quickly in the Trade Committee. According to Valles, the tax, which can reach 30 percent, is harming Uruguayan industries.

Mercosur State Banks Create Supranational Bank

PY1104150395 Buenos Aires TELAM in Spanish 1318 GMT 3 Apr 95

[Report by unattributed correspondent]

[FBIS Translated Text] Asuncion, 3 Apr (TELAM-SEM) — The integration of the banking sector of the Mercosur [Common Market of the South] has been approved, and this will help in the use of the so-called Banasur Cheque for the payment of imports and exports through special current accounts.

The resolution was signed on the night of 31 March by Aldo Antonio Dadone, president of the Bank of the Argentine Nation; Mario Lujan Melgarejo, president of the Paraguayan National Development Bank; Paulo Cesar Ximenez of Brazil; and Julio Dalla Rosa of Uruguay.

The presidents of the government financial organizations of the four countries met within the framework of the Third Meeting of National Banks of the Mercosur (Banasur), which was held on the premises of the Paraguayan Central Bank.

During the meeting, and with the participation of its president, Andres Sanfuentes Vergara, the State Bank of Chile was accepted as an associate partner. This bank will become a full partner when Chile decides to join the Mercosur.

The integration of the banking sector is already a fact in the Mercosur countries, but its institutional implementation will be a fact when the impediments that some countries still have due to banking and monetary restrictions are overcome.

According to officials of Paraguay's National Development Bank, the solution that will help with the implementation of the system will be carried out through bilateral negotiations.

Jose Osvaldo Fernandez, the bank's administrative director, told TELAM that "in order to begin the immediate use of the Banasur Cheque, we will first achieve bilateral agreements with those countries that do not have monetary and banking restrictions."

It was made clear that the originality of the system lies in the fact that payment of the cheques will be immediate without having to send the cheque for collection in accordance with the systems of compensation.

The exchange of the registration of signatures will be done through informatics systems so that this community cheque will have the value of a document of payment.

The cheques will be issued in the currency of the issuing country, but they will be payable in the currency requested by the operator in the country of destination.

Moreover, the opening of current accounts for this network must be made in the currency of each country.

The mutual concession of $75 million was one of the points that was established during the meeting, and the Banasur partners will be considered as national and not foreign banks.

This point will oblige the banks to subscribe for capital, and the signing of agreements within the Basel Agreement and others of an economic and financial nature.

Mario Lujan Melgarejo has confirmed that member banks of the Banasur will be able to place shares on the stock exchanges of the member countries because "this is written into the agreements of mutual support and reciprocal assistance" that were decided on during the meeting.

In this respect, the Paraguayan authorities reported that they will begin an immediate analysis so that the shares of the National Development Bank, or even government bonds, can be quoted on the electronic stock exchange through the Bank of the Republic in Montevideo.

The signatories of the agreement have established that the Banasur has become the biggest financial agreement in South America in order to face the final process of integration.

It is well to recall that the five banks included in the agreement have more than 6,000 branches and more than 150,000 employees.

Within this framework, the Bank of Brazil will have 85 percent of the operations, followed by Argentina and Uruguay, among the members of the Mercosur.

Cuba

Lage: Sugar Industry To Receive Foreign Credit

PA1104190895 Paris AFP in Spanish 1801 GMT 11 Apr 95

[FBIS Translated Text] Havana, 11 Apr (AFP)—Carlos Lage, Cuban Council of State vice president, has announced that the next sugar harvest in Cuba will for the first time be financed with foreign short-term credits that will be paid for directly with sugar.

The 1995-1996 harvest will be "high risk" because the credits obtained abroad, "with very hard payment conditions for the country" and with high interest rates, must be paid for with part of the same production, Lage said. His remarks were published by the newspaper GRANMA, official organ of the Communist Party of Cuba (PCC).

If Cuba were not capable of producing sufficient sugar to pay the credits, "we would be facing an even more serious problem than the one we face today," he added, referring to the economic crisis experienced by Cuba, whose available foreign currency dropped from $8.2 billion in 1989 to less than $2 billion now.

According to Lage, Cuba decided to accept these loans which, "although they do not represent all that we really need," "will place us in a noticeably better situation than one we have experienced during the current" harvest.

Lage made these remarks during a visit to Cienfuegos (300 km east of Havana). The vice president, the main organizer of the economic reforms undertaken by the Cuban regime, did not indicate the origin of the loans, which will be mainly used to purchase fertilizers.

Sugar production, the island's main source of revenue, had benefited from Soviet financial aid, and in recent years had considerably declined, going from 7 million tons in the 1991-1992 harvest to 4 million in 1993-1994, which kept the country from fulfilling some contracts.

According to experts, the current 1994-1995 harvest, undertaken with less than 15 percent of the technical resources and materials used in 1989, before the economic crisis caused by the collapse of the communist bloc, will not reach 3.5 million tons, the worst harvest since 1963, when 3.8 million tons were harvested.

The Sugar Industry Ministry announced in October its decision to open the sugar industry to foreign investment, as had been previously done in the tobacco industry and nearly all other economic sectors.

U.S.-Based Studies Indicate Safety of Investments

FL1104204695 Havana Radio Rebelde Network in Spanish 1700 GMT 11 Apr 95

[Report by correspondant Marcos Castellon in Miami; from the "National Radio News"—live or recorded]

[FBIS Translated Text] A list of 100 countries studied annually by POLITICAL RESEARCH, a company conducting political risk research in Syracuse, New York, shows Cuba as one of the safest countries for international business to invest in.

About this time in 1994, the MIAMI HERALD Monday Economic Supplement published a similar study which put Cuba in the 29th position, only surpassed by Paraguay, Chile, and Costa Rica in Latin America. Chile occupies the ninth position in the 1995 study, and appears as the only Latin American country to offer more safety than Cuba, which shares positions 26 to 28 with Australia, Botswana, Costa Rica, and Panama.

The POLITICAL RESEARCH study comprises a numerical index based on 17 issues, which include the chances of social uprising, strikes, civil wars, terrorism, and trade policies, among others. It also provides 18-month and five-year predictions. Regarding financial transaction problems, currency exchange, and remittances to foreign countries, POLITICAL RESEARCH gives Cuba good ratings for the next 18 months, and even better ratings for the next five years. Yet, it predicts very low economic growth when compared to the rest of the continent. The study cites trade barriers to imports and payment problems as risk factors for investments and exports. In both instances, Cuba obtained excellent short- and long-term ratings.

The MIAMI HERALD article, which cites this study, states that Cuba is going ahead inch by inch, and also mentions Cuban specialists' predictions that the Cuban economy will grow by up to 2 percent in 1995. The article adds that there are signs of recovery—more food, vehicles, and more electricity-supply increments, among other government measures of continued improvement of the general situation.

Two Arrested as 'Habitual Swindlers'

FL1104150795 Havana Radio Progreso Network in Spanish 1100 GMT 11 Apr 95

[Report by Alejandro Marcel Mayo; from the "First Thing" program]

[FBIS Translated Text] A swindler lives off the naivete of trusting individuals. This type of person is capable of inventing tricks and schemes to gain their victim's confidence. Swindlers are always hunting gullible prey, and when the opportunity presents itself, they have no scruples inhibiting them from cheating others just to enrich themselves.

Lieutenant Aisa Fernandez Vasquez, police instructor from the National Revolutionary Police [PNR] third unit in Plaza de la Revolution Municipality, Havana, has informed us that according to a complaint filed at the Plaza PNR station citizens Arsenio Sanchez Perez and Racier Reyes Cao were running a refrigerator repair shop and as such requested money in advance from the victims under the pretext of purchasing parts to complete the repairs. Preliminary investigation shows that both suspects had contracted with 15 citizens for refrigerator repairs. In each case, the victims had to wait a very long time for the repaired appliances to be returned, and often customers claims and requests of the supposed mechanics were futile and led to arguments.

After the suspects were taken into custody, several of the victims' broken down refrigerators were found in one of the crook's homes, which served as the repair shop, where they stripped them and used them for spare parts illegally.

The investigation is continuing while the suspects are in custody until they appear in court to respond to the charge of habitual swindling.

Roundup of Economic Developments

FL0804130995

[FBIS Editorial Report] The following is a compilation of reports on Cuban economic developments monitored through 8 Apr 95.

The Frank Pais II Salt Complex in Caimanera, Guantanamo Province, has restarted partial operations since the November floods. Approximately 1,500 tons of salt have been extracted, this is a "small figure," but the complex expects to produce 12,000 tons in April. (Havana Tele Rebelde Network in Spanish 1730 GMT 1 Apr 95)

The citrus harvest concluded on 3 April in Isle of Youth, with a yield of over 61,000 tons of fruits. (Havana Radio Rebelde Network in Spanish 2300 GMT on 3 Apr 95)

The National Institute for Sports, Physical Education, and Recreation [INDER] had a revenue of $5 million during 1994 through various activities. The money will be invested in developing the Cuban sports program as part of INDER's efforts to become self-financed. Cuban training staff working in over 40 nations continues to be the cornerstone of this policy instituted in 1991. INDER, in cooperation with Cuba Deportes, S.A., will encourage foreign sponsorship of sporting events in Cuba in 1995. (Havana Tele Rebelde Network in Spanish 1630 GMT 4 Apr 95)

In Havana Province, cold storage facilities were holding over 1.4 million quintales of potatoes at the beginning of April. (Havana Radio Reloj Network in Spanish 1952 GMT 4 Apr 95)

Cooperatives of the Sexto Congreso of Colon Municipality and Rebelde Contante of Cardenas Municipalities have harvested more than 60,000 quintales of potatoes. The Sexto Congreso will conclude harvest tomorrow with yields of 5,200 quintales per caballeria. (Havana Radio Rebelde Network in Spanish 0900 GMT 7 Apr 95)

The Antonio Maceo Power Plant in Regla Municipality contributed 25 megawatts to the national network during the first quarter of the current year. Workers received a plaque for their exemplary work. (Havana Radio Rebelde Network in Spanish 0900 GMT 7 Apr 95)

The Centenario de Honor brigade, which works in the potato harvest in Havana, completed its goal of harvesting 700,000 quintales 10 days ahead of schedule and now hopes to reach 900,000 quintales. The brigade is made up of 1,200 men and women, including officers, NCOs, cadets, and civilian workers. They are spread over 7 municipalities in Havana city. (Havana Radio Rebelde Network in Spanish 0900 GMT 7 Apr 95)

A Ministry of the Revolutionary Armed Forces commission lead by Division General Sixto Batista Santana is touring Matanzas to evaluate the Territorial Troops Militia tax collection system. To date, 60 percent of the planned tax revenue, 1.48 million pesos, has been collected in Matanzas province. (Havana Radio Reloj Network in Spanish 1400 GMT 7 Apr 95)

In Pinar del Rio over 400 people have received 56 caballerias of land in the mountain areas of Bahia Honda and San Cristobal to cultivate coffee, most of which have been fallow and are overrun with weeds. The land grant process will continue linking families with food production, and includes a small area to be planted in family gardens. (Havana Radio Rebelde Network in Spanish 1700 GMT 7 Apr 95)

In the first trimester of 1995, 151 homes have been completed in Ciego de Avila, despite shortages of wood, electric cables, galvanized pipes, and other building materials. The provincial sugar industry ministry built 95 of the homes. (Havana Radio Progreso Network in Spanish 1100 GMT 8 Apr 95)

Haiti

Parties React to Modification of Electoral Timetable

PA1104234395 Port-au-Prince Radio Metropole in French 1600 GMT 11 Apr 95

[Report by Edner Jean; from "The Midday Newscast"]

[FBIS Translated Excerpt] The highlight of the news is the modification of the electoral timetable and reaction by Haitian political parties.

The decision by the Provisional Electoral Council, CEP, to modify the electoral agenda did not ease the tension surrounding the setting in motion of the Haitian electoral process. The political parties are displaying little enthusiasm following the announcement on the modification of the electoral timetable. The heads of parties have focused and continue to focus their criticism, however, on the formation of the communal electoral offices, the departmental electoral offices, and the formation of the registration and voting offices throughout the country, which still consist of, according to their statements, members of one political organization, the Lavalas Political Organization, OPL.

Our reporter has filed a report:

[Begin recording] [Jean] Victor Benoit hopes the CEP will not modify the electoral timetable again. Such a modification, if it continues, could disturb the process even more and postpone the elections indefinitely, he has said, adding we will go straight to an institutional crisis. The Conacom [National Congress of Democratic Movements] leader is not at all satisfied with this decision by the electoral institution. For him, the CEP is trying to turn around the parties' main demand; that is, the simple modification of the electoral process, which seems to follow the beat of the OPL. [passage omitted].

By postponing the date of the elections, the CEP is offering to the National Front for Change and Democracy, the FNCD, the possibility to better prepare its electoral offensive, states Evans Paul, one of the FNCD spokesman. This offer is not going to influence the continuously reiterated threat by the FNCD to boycott the elections if the CEP continues to ignore its alarm signal. Evans Paul seems to indicate that what is most important is the credibility the parties and the people will give to the electoral process. The FNCD is calling for a national dialogue to reach this agreement. [passage omitted].

PANPRA [Nationalistic Progressive Revolutionary Party of Haiti], which cast doubt on the honesty of the CEP members last week, had asked the authorities to postpone the elections to another date, but Serge Gille's party does not find itself on this new timetable. The PANPRA coordinator is speaking of a unilateral decision. [passage omitted].

Reynold Georges believes this CEP should be dismissed. The ALAH [Alliance for the Liberation and Progress of Haiti] leader is preparing for battle, because he is prepared to go to war against the CEP members. Nevertheless, Reynold Georges hopes this modification of the electoral timetable is a prelude to the demolishing of the BEC's [Communal Electoral Offices], the BED's [Departmental Electoral Offices], and the BIV's [Registration and Voting Offices]; otherwise, he invites all the political parties to rally in a common front in order to demand from the executive the dismissal of the CEP members. Reynold Georges has already proposed the profile of the next CEP. [passage omitted] [end recording]

Aristide Denies Knowing About Death Threat List

PA1204044995 Paris AFP in Spanish 0106 GMT 12 Apr 95

[FBIS Translated Excerpt] Port-au-Prince, 11 Apr (AFP)—This Tuesday, Haitian President Jean Bertrand Aristide denied that the United States had officially advised him about the existence of a list with the names of 27 well-known figures who have received death threats. [passage omitted]

Aristide, who was meeting with the press at the National Palace, gave assurances of his government's commitment to ensure the safety of "all Haitians without any distinction." [passage omitted]

Certain Businessmen, Politicians Said To Leave Country

PA1204042895 Port-au-Prince Signal FM Radio in French 1030 GMT 11 Apr 95

[From "The Waking Up Newscast"]

[FBIS Translated Text] Certain Haitian businessmen and politicians left the country at the end of last week, we have learned from a reliable source. Those individuals identified as opponents of the current government made themselves scarce following the announcement by the U.S. Embassy in Port-au-Prince of a list of personalities to be killed.

A report by THE NEW YORK POST published last week stated that Deputy Eric Lamothe and attorney Mireille Durocher Bertin were the first two personalities designated on the list. Eric Lamothe was found riddled with bullets on the Freres Road in Petion-Ville.

According to THE NEW YORK POST, the names of Saurel Hyacinthe, Hubert de Ronceray, leader of the Mobilization for National Development, and Eddy Dupiton, Artibonite senator, are also on this list. Other personalities who are former members of the military regimes, such as Joseph Nerette, whose names do not appear on the list would rather go to the United States.

Concerning the rumors that Leslie Delatour would go to the United States as well, the governor of the Central Bank is allegedly in Washington dealing with day-to-day matters, we have learned from reliable sources.

Emergency Measures Implemented Over Cost of Living

PA1204045695 Port-au-Prince Signal FM Radio in French 1030 GMT 11 Apr 95

[From "The Waking Up Newscast"]

[FBIS Translated Text] Concerning the astonishing increase in the cost of living throughout the country, emergency measures are going to be taken in the coming days in order to solve this problem, which seems to worsen each hour, government sources have announced.

President of the Republic Jean-Bertrand Aristide, aware of the problems this situation is causing the Haitian people, is planning to hold a meeting with the Haitian private sector in order to assess what it can do to help lower the cost of living, we have learned from credible sources.

During a meeting with the press this past weekend, Commerce Minister Maurice Lafortune revealed the existence of a project that will be carried out soon thanks to the support of USAID. The project will allow the creation of 50,000 additional jobs throughout the country. He also announced the establishment of community stores to allow other interveners to invest in the market.

Rights Groups: Police Cause 'Perilous Security Situation'

FL1104201795 Bridgetown CANA in English 1814 GMT 11 Apr 95

[By Rickey Singh]

[FBIS Transcribed Text] Bridgetown, Barbados, April 11, CANA—A perilous security situation now exists in Haiti, according to two leading New York-based human rights organisations. In a 27-page report being shared with the Caribbean Community secretariat, Human Rights Watch for the Americas and the National Coalition of Haitian Refugees (NCHR) point to "aggravated tensions" resulting from the creation of an interim police force. Both human rights organisations, which are among the extraregional allies of the Barbados-based Caribbean Rights, said that the recent takeover (on March 29) by the United Nations of the multinational peace-keeping force in Haiti was not done in a "safe and secure environment."

In their report, obtained by CANA, the human rights bodies said that instead of the "safe and secure environment" required by UN Security Council resolution 940, the UN-led multinational force "will face increasing political tensions and a serious security void." This situation, they claim on the basis of their research and assessment of the prevailing conditions in Haiti, has been "aggravated by the creation of an interim police force drawn from the Haitian Army." This was the very army, they contend, "whose brutal human rights record initially galvanized the international effort to restore democracy in Haiti."

In the view of Americas Watch and the NCHR, the interim police force, established under the United States command of the multinational peacekeeping force, "contributes to increasing lawlessness" and does not enjoy the confidence of the Haitian people. In addition, recent political killings and ongoing paramilitary threat and a non-functional judiciary all indicate that Haiti's recovery may be in "jeopardy," according to Jose Miguel Vivanco, executive director of Human Rights Watch for the Americas.

The police force as it now exists, the joint report claims, was simply the result of a device to "recycle" ex-Haitian soldiers on the "police front line." The failings of the interim police are "worrisome" both in the short term and and the long term because the hastily-assembled force will be the primary law enforcement agency at least until early 1996. They will be responsible for providing security, for instance, during the forthcoming parliamentary and local government elections in June, the presidential elections in December, and the inauguration of the new president in February 1966. The two human rights organisations are calling on the the Haitian, U.S., and UN authorities to "monitor closely" the performance of the interim police force and to "purge" it as necessary of undesirable and abusive elements.

It is incumbent upon the government of President Jean-Bertrand Aristide, said the report, to "prosecute aggressively" members of the interim police who engage in human rights crimes in order to send a message that abuses will not be tolerated.

Jamaica

Government Presents Budget Estimates for 1995-96

FL0704125895 Bridgetown CANA in English 2129 GMT 6 Apr 95

[By Garfield Myers]

[FBIS Transcribed Text] Kingston, Jamaica, April 6, CANA - The Jamaica government plans to spend 81.341 billion Jamaican dollars (one Ja. dollar - approx. three US cents) in the 1995/96 financial year, according to the estimates of expenditure tabled in parliament Thursday afternoon.

The figure represents a 19 per cent increase on the revised budget of 68.38 billion dollars for 1994/95.

The increase in Jamaican money terms is outstripped by inflation which has been calculated at 20.1 per cent for the first 11 months of the 1994/95 financial year.

Notwithstanding the government's pledge announced by Governor General Sir Howard Cooke in his Throne Speech earlier Thursday for more emphasis on poverty alleviation, the proposed budget for the new financial year weighs heavily in favour of recurrent or housekeeping expenses over capital or development expenditure.

Recurrent expenses will take up 49.42 billion dollars, compared with 38.70 billion dollars last year.

Capital expenditure will take 31.91 billion dollars compared with 29.67 billion dollars last year.

The finance ministry, which has responsibility for payments by the Jamaica government, including debt servicing, takes up the lion's share of the proposed budget with 29.88 billion dollars on the recurrent side and close to 22 billion dollars for capital expenditure.

The ministry of education, youth and culture which has been identified as central to the government's plan for social improvement is being allocated approximately seven billion dollars for recurrent as well as capital expenditure.

The health ministry is being allocated just over four billion dollars.

In tabling the estimates, Finance Minister Omar Davies noted that it would be considered by the standing finance committee of parliament before being again referred to the house of representatives for debate.

The debate is slated to begin April 20.

Governor General Outlines Government Plans for 1995

FL0704123995 Bridgetown CANA in English 2141 GMT 6 Apr 95

[By Garfield Myers]

[FBIS Transcribed Text] Kingston, Jamaica, April 6, CANA - The Jamaican government pledged on Thursday to do more to help the poor even as it also committed itself to continue "sound fiscal and monetary policies".

Delivering the throne speech at the start of the new parliamentary year, Governor General Sir Howard Cooke, in outlining government's plans for fiscal year 1995, of a "co-ordinated poverty-alleviation programme embracing education, skills training, welfare and rehabilitation programmes and support for income-earning projects ...."

But he also emphasised that relative economic stability achieved over the past two years, as indicated by such factors as a stable currency, rapid growth in external reserves and declining inflation, would not be endangered.

"We cannot squander the gains we have made," Cooke said.

"They must be consolidated. This will require the continuation of sound fiscal and monetary policies," he added.

The governor general's speech to assembled parliamentarians of both the Senate and lower House of Representatives preceded the tabling of the estimates of expenditure Thursday afternoon and followed the cermeonial opening of parliament complete with a military parade and much pomp and ceremony.

"Too many people continue to languish in deplorable and unbearable conditions of poverty in both out urban and rural areas," said Cooke in explaining the government's emphasis on poverty alleviation.

"While we cannot correct this situation overnight, the commencement of serious efforts can no longer be postponed."

The government would be working with donor agencies in "specific geographic areas" to improve the provision of water, sanitation and communal facilities.

Serious attention would also be paid to the society's chronic housing shortage with the state-run National Housing Trust (NHT) entrusted with the responsibility to finance more than 5,000 "shelter solutions".

There would also be an on-going programme of collaboration between the NHT and the private sector, the governor general said.

Efforts to resolve the growing squatter problem would also continue with Operation Pride launched last year by the government "moving full steam ahead to support popular initiatives in providing self-help housing solutions".

Education would continue to be the core of the government's Human Resource Development Thrust while the promised National Youth Service would be a centrepiece of a national youth policy.

The health sector would also be improved with "significant changes in the way the health system is organised, financed and managed", the governor general said.

Plans were also outlined for infrastructural development including a "massive" road building and repair programme, improvement of water and transportation systems.

Jamaica's high crime rate would continue to be the focus of attention with "no effort being spared" to reduce the level of the scourge.

Social reform as well as constitutional and electoral reform would also be priority areas in the new parliamentary year, Cooke said.

On the regional front, Jamaica would continue to play a "lead role towards achieving a single Caricom (Caribbean Community) market and economy".

"Along with the other islands and countries of the wider Caribbean basin, Jamaica will contribute to realising the objectives of the Association of Caribbean States (ACS)-," he said.

The government would also be continuing its efforts to secure NAFTA parity for CBI [Caribbean Basin Initiative] countries on a number of vital exports, pending the realisation of membership in a hemispheric free trade area.

Zedillo: Agrarian Reform Secretariat Not To Disappear

PA1204045095 Mexico City LA JORNADA in Spanish 11 Apr 95 p 6

[Report by Matilde Perez U. and Francisco Guerrero]

[FBIS Translated Text] Chinameca, Morelos, 10 April—The Agrarian Reform Secretariat [SRA] will not disappear, President Ernesto Zedillo vowed, adding that the secretariat will be strengthened.

After receiving a document by the National Union of Workers [SNT] of the SRA from Alvaro Lopez Rios, acting coordinator of the Permanent Agrarian Congress (CAP), Zedillo Ponce de Leon stated that the SRA workers will not lose their jobs. "Tell them to be calm," the president assured the CAP coordinator.

For his part, Agrarian Reform Secretary Arturo Warman Gryj said the secretariat will undergo an in-depth reorganization and transformation. "The details will be announced soon," he said.

He added that in view of the difficult situation affecting the agrarian sector, it is necessary to readapt and reorient the functions of the SRA so that it can "better respond to the peasants," but it implies affecting the rights of the workers because "that is not under discussion." [sentence as published]

At the end of the ceremony marking the 76th anniversary of the death of Emiliano Zapata, the secretary of the SRA said there are delays involving 3,000 agrarian cases, which affect 10 percent of the 28,000 landholders of the country, particularly in Oaxaca.

Francisco Labastida Ochoa, secretary of agriculture, livestock, and rural development, said that the Conasupo [National Company for Basic Commodities] will not be privatized, but will undergo some transformations, including the concentration of resources for commercialization, along with those of Support and Services to Agriculture-Livestock Commercialization (Aserca) to assist farmers.

He noted that regional markets will be strengthened, as will the commercial structure to permit peasants to sell their products in a more direct manner.

In a brief interview, the secretary of the SRA said that 100 million new pesos will be channeled to agriculture and livestock producers of northern states (including Chihuahua) that were affected since last year by the drought.

He explained that this will be additional support to that of Procampo [Program of Direct Support to the Countryside], a program that has not failed and which will be subjected to adjustments so that it can continue to aid producers.

Secretary Explains Bills To Privatize Railroads, Aviation

PA1204034495 Mexico City XEW Television Network in Spanish 0430 GMT 11 Apr 95

[From the "24 Hours" newscast]

[FBIS Translated Text] Communications and Transportation Secretary Carlos Ruiz Sacristan has held a news conference to explain the bills to privatize railroads, civil aviation, and telecommunications President Zedillo will send to the Congress of the Union by next week, at the latest. He has said all of these bills call for a maximum foreign investment of 49 percent. Ruiz Sacristan has said that companies that invest should be established in Mexico and that Mexico's sovereignty should not be at risk in any of the areas involved.

In the area of telecommunications, he announced a new satellite that will replace the (?SOS) model will be launched in 1996 using foreign investment. The satellite will cost approximately $300 million.

Mexican Communications and Transportation Secretary Carlos Ruiz Sacristan has said the following:

[Begin Ruiz recording] The fact a private company is operating a satellite does not mean it will be free of regulations. The satellite will be operated in leased spaces, its frequencies will also be leased, and the satellite will have to operate from a ground station in Mexico. [end recording]

Regarding national railroads, Ruiz has acknowledged the sector's serious problems and has expressed hope they will be resolved by the privatization that will eventually be carried out in agreement with the various Mexican regions.

Regarding the civil aviation bill, Ruiz has assured that efforts will be made to end disloyal competition and to create strong and capitalized businesses that will offer better and safer services.

At the news conference, Ruiz Sacristan criticized the attitude of Ciudad Juarez's municipal president, who has placed alternate toll booths on the Santa Fe Bridge:

[Begin Ruiz recording] If one municipality has several bridges and another municipality has none, then the municipality without bridges will be condemned to financial problems forever. I believe that would be very unfair. [end recording]

After warning that no one is above the law, Ruiz assured Ciudad Juarez's municipal president will return the funds he has illegally obtained.

Legislators Voice Approval of Government-EZLN Agreement

PA1204002195 Mexico City NOTIMEX in Spanish 0219 GMT 11 Apr 95

[FBIS Translated Text] Mexico City, 10 Apr (NOTIMEX)—Today, Mexican legislators voiced their approval of the agreement reached between the government and the Zapatist National Liberation Army (EZLN), the armed group which operates in the southeastern state of Chiapas, to begin formal talks on 20 April.

Humberto Roque Villanueva, coordinator of the Institutional Revolutionary Party (PRI) in the Chamber of Deputies and president of the Grand Commission of the same body, described as encouraging "the fact the foundations have been laid to resume talks."

"I believe the two parties have displayed an intelligent and wise attitude. This beginning leads us to believe we will witness the moment we all are expecting in the coming days and weeks: nationwide peace," the deputy added.

At the San Lazaro Legislative Palace, Roque Villanueva said the agenda for the dialogue should be a regional one and should propose mechanisms that make feasible the development of communities, particularly rural and indigenous ones.

He said: "The rest of the state organizations" are here to handle national issues, either "to propose state reforms or the most modest reform to some state electoral code."

Luis Garfias Magana, president of the Chamber of Deputies National Defense Commission, described having a date to resume the dialogue as "positive and encouraging, because what is important is that steps are being taken to achieve the pacification of the region."

He emphasized his recommendation that the Mexican Army continue its function of guaranteeing the security of Chiapas residents and "that for no reason should it withdraw or fall back from Chiapas."

Representatives of the government and the EZLN, which operates in Chiapas, agreed the night before to begin negotiations to reestablish peace in the region in the Larrainzar Municipality, Chiapas, on 20 April.

The agreement was reached hours before the deadline stipulated by the Law for Dialogue and Peace was over. This law establishes the legal and procedural framework for the meeting to be held between the two parties and was approved by the Mexican Congress.

Rodolfo Elizondo, deputy of the National Action Party (PAN) and a member of the legislative pluralistic commission following up on the conflict, said setting up a location and a date "marked the beginning of a new positive phase and constitutes a major breakthrough."

The option of a new 30-day extension for the arrest warrants emerges, even though there will be no time limits as long as the dialogue and negotiations are uninterrupted. That will be the pace of the negotiations per se," he explained.

Juan Guerra Ochoa, of the Party of the Democratic Revolution (PRD), said that resuming talks is positive, but he predicted intense and difficult talks.

Jaime Sanchez, of the National Network of Researchers, said the resumption of talks between the government and the EZLN is in response to a demand by all Mexicans to achieve peace in the country.

He believes, however, "we must keep in mind that solving the national problems does not mean making pacts the parties involved are unable or unwilling to fulfill."

Fidel Velasquez, president of the Confederation of Mexican Workers, suggested that "Subcommander Marcos," the EZLN spokesman, should uncover his face "so the government can be certain of with whom it is dealing."

Papantla Bishop Genaro Alamilla agreed with Velasquez that the rebels should remove their masks in order to begin the formal stage of the dialogue."

The bishop said "the Zapatists know with whom they are negotiating and whom they want to make arrangements to set up the rules of a true dialogue, but the government does not know with whom it is negotiating."

He said "Subcommander Marcos" should identify himself to the people for the formal beginning of a dialogue.

In Tuxtla Gutierrez, Chiapas, Julio Cesar Ruiz Ferro, the governor of that state, said the beginning of a dialogue between the government and the EZLN is an answer to the demands of Chiapas residents, whose aspiration is to return to peace.

In an interview, he said that it marks the beginning of efforts to seek a solution to the conflict, which began on 1 January 1994 with the EZLN uprising.

Ruiz Ferro urged Chiapas residents to jointly participate in the measures, which seek well-being in the state, and he said lawfulness and not seizing lands are the appropriate way to commemorate the 76th anniversary of Emiliano Zapata's death.

Eraclio Zepeda Ramos, government secretary of Chiapas State, said "in the first meeting, the parts began to lay, stone by stone, the foundations for a peace with dignity, democracy, and equality."

Bademia Residents Flee After Confronting Zapatists

PA1204045595 Madrid EFE in Spanish 2358 GMT 11 Apr 95

[FBIS Translated Text] La Independencia (Mexico), 11 Apr (EFE)—The 426 inhabitants of the community of Bademia, located in southeastern Chiapas State, who yesterday confronted a group of Zapatist guerrillas today fled from their homes fearing new attacks.

Humberto Velazco, who works at the municipality of La Independencia in Chiapas, confirmed that the Bademia residents sought refuge at El Triunfo community fearing the alleged Zapatists could attack again.

The confrontation between the residents of Bademia, located some 10 km off the border with Guatemala, and alleged Zapatist National Liberation Army (EZLN) members ended leaving four people dead—three Zapatists and one Institutional Revolutionary Party (PRI) member—and nine injured.

Chiapas State Prosecutor Jorge Enrique Hernandez reported that an investigation into the confrontation is being conducted and confirmed the death of the "PRI member," however, he said he knows nothing about the deaths of the three alleged Zapatist guerrillas.

"Although we visited the site of the confrontation along with General Jorge Gamboa, Chiapas Police units coordinator, we were unable to confirm the deaths of the Zapatists," the prosecutor said.

Hernandez pointed out that the confrontation took place as the Zapatists guerrillas from the Agua Tinta community, in the Lacandona jungle, tried to take a radio transmitter from the Bademia residents.

However, according to several reports by the wounded people, the bodies of the three Zapatists remained in the site of the confrontation for several hours. "The bodies were there when I was taken to the hospital. They did not have weapons on them; maybe their companeros disarmed them. They did not have knives either," one of the wounded people, Humberto Lopez, maintained.

He added that more Zapatists could have been wounded, but they fled to the jungle. "I only saw the bloodstained bodies... I did not see if they died by bullet, club, or knife," Lopez added.

The residents underscored that as they fled the community, the bodies of the Zapatists lay in downtown Bademia. They still had "their faces covered with balaclavas and were wearing green pants and brown shirts."

Around midnight on 9 April, approximately 30 Zapatist guerrillas came into Bademia to requisition a radio transmitter that residents of this community were presumably hiding.

The residents reacted and arrested one of the Zapatists, the reason why a larger group of guerrillas attacked the town in the early morning, with the aforementioned results.

The Zapatist guerrillas and the government are negotiating a practical solution to the conflict. This is why the possibility exists that the guerrillas that entered into Bademia are not under the command of the EZLN directorate.

Council States Need for Policy To Promote Foreign Trade

PA1204012695 Mexico City EL FINANCIERO in Spanish 10 Apr 95 p 23

[Report by Georgina Tristan]

[FBIS Translated Text] According to the National Foreign Trade Council (Conacex), we urgently need a new medium-term, long-term, and overall policy for the development and promotion of foreign trade in view of the grave situation the country is experiencing. In addition, Conacex has stated, this policy should include "immediate" actions to encourage and support the country's industrial plants, particularly medium and small enterprises, in accordance with negotiations leading to trade agreements and with the GATT.

Conacex has stated that economic activities have been hindered as a result of the concentration of functions, deficient infrastructure, bureaucracy, and excessive regulations.

Conacex has proposed decentralizing all transactions, something which would give each organization the authority to handle foreign trade activities and to eliminate the existing discretionary power in decisions adopted by the Federal Electricity Commission, Pemex [Mexican Petroleum], and the Mexican Telephone Company by publishing the requirements companies must meet and appointing a mediator to resolve any controversy and to receive complaints for bad service.

The industrial policy model, Conacex has stated, must be broad enough and should take into account the systems existing in developing countries as well as in the First World.

In addition, Conacex has proposed the creation of a federal foreign trade commission to detect any damage to Mexican industries resulting from the import of goods benefited by dumping or subsidies.

Conacex has stated that although Mexico's trade negotiations constitute an important achievement in trade policy, they are just the beginning of a series of steps and adjustments to be implemented in order to take full advantage of foreign trade activities.

Consequently, Conacex has stated, in order to implement the negotiated agreements, it is necessary to install a technical committee headed by Secofi [Commerce and Industrial Development Secretariat] with the participation of government agencies involved in the commercial and customs aspects of the negotiations and to include foreign trade business organizations.

We must develop a broad information program among institutions conducting negotiations and help small and medium enterprises, Conacex has stated.

It added that in order to promote exports more effectively, it would be convenient to coordinate actions between the public sector and foreign trade private organizations.

Conacex believes it is urgent to define a policy on unfair practices that calls for devising mechanisms and strategies that could include the creation of an institution that would determine, through an overall economic analysis, whether national industries are hurt by foreign products purchased under practices such as dumping or subsidies.

To do so, Conacex added, we must realize it is necessary to promote a regional development policy to prevent industrial concentration and to facilitate a better distribution of employment opportunities and resources to the various regions.

Conacex recommended giving more authority and incentives to state governments, expanding their capability to attract foreign investments.

It also recommended modifying the Industrial Property Law in order to prevent situations that could be disadvantageous for Mexican businessmen.

Conacex has stated the federal foreign trade commission would notify the Finance Secretariat, which would establish the rights or import duties of the goods in question, after determining the existence of damage to national industries. It would also notify Secofi, which would establish the period during which subsequent investigations would be conducted.

Conacex has also proposed abrogating Article 5 of the Federal Economic Competence Law, which establishes that privileges granted to inventors and redesigners for the exclusive use of their inventions during a specific period are not monopolies.

Internal Savings Rise by 15.6 Billion New Pesos

PA1204035395 Mexico City NOTIMEX in Spanish 0440 GMT 11 Apr 95

[FBIS Translated Text] Mexico City, 10 Apr (NOTIMEX)—Internal savings rose by 15.6 billion new pesos ($2.4 billion) during the first two months of the year; that is, 3.1 percent more than for the same period last year, the Bank of Mexico (Banxico) has reported.

Nevertheless, Banxico has stated total receipts of public resources by banks and other financial intermediaries declined by 10.1 billion new pesos ($1.5 billion) in February of this year compared to January 1995.

Banxico has stated the annual growth of domestic savings was due to the 34.8 billion new pesos ($5.3 billion) increase in the receipts by banks, 10.3 percent more than for the same period last year.

This was also due to the 19.2 billion new pesos ($2.9 million) reduction in receipts by other financial intermediaries, which represents 11.7 percent less than for the same period last year.

On the contrary, Banxico added, the reduction in receipts of resources from the public in February 1995 was caused by the reductions of 1.3 billion new pesos ($200 million) and 8.8 billion new pesos ($1.3 billion) in receipts by banks and other intermediaries, respectively.

Banxico has reported the total financing earmarked by banks for financing the nonbanking sector from February 1994 to the same month in 1995 increased by 106.6 billion new pesos ($16.4 billion); that is, 27.7 percent.

In addition, Banxico has reported the February 1995 annual interest rates of 28-day notes issued by banks registered a 6.58 percent increase over last January, going from 33.54 to 40.12 percent.

February annual interest rates of Treasury Certificates increased by 3.5 percent, going from 37.53 percent in January to 41.23 percent in February.

The average interbanking interest rate at 28 days rose by 7.90 percent, going from 46.12 to 54.02 percent.

Banxico added the annual average growth rate of circulating currency was negative at 8.6 percent during the second month of the year, because bills and coins registered an annual average growth rate of 22.8 percent.

In addition, the annual average growth rate of the monetary base was 20.1 percent.

Pemex Confirms Discovery of Oil Deposits in Tabasco

PA1204034095 Mexico City NOTIMEX in Spanish 0103 GMT 11 Apr 95

[FBIS Translated Text] Mexico City, 10 APR (NOTIMEX)—Today, officials of state owned Mexican Petroleum (Pemex) confirmed the discovery of three large extra light oil deposits in Tabasco State, Southeastern Mexico.

Jose Antonio Ceballos, general director of Pemex Exploration and Production, said these extra light oil deposits range from 35-48 API [American Petroleum Institute] grades.

Pemex stated the recent discovery confirms the high probability of finding this type of oil in the area called Tabasco Coast, south of the Bay of Campeche near the outlet of the Grijalva River.

In a Pemex communique, Ceballos stated the quality of the oil find is comparable to the world's best because of its high yield during the refining process.

Ceballos said he learned on 6 April of a new marine extra light oil production field, located 44 km north of the border city of Tabasco. The field was discovered via the Campeche Bay SINAN 201 exploratory probe.

He added the marine oil deposit is 5,500 meters deep and is lodged in Mesozoic carbonated rock and could yield approximately 5,000 barrels of oil daily and a considerable amount of gas.

Pemex added that the oil well is near completion and that the tests have yielded an oil density of 35 API grades.

Ceballos said the discovery "is not an isolated event," because the penetration of two other exploratory wells southeast of SINAN 205 led to the discovery this year of two more extra light oil deposits.

The first of these oil wells is called Bolontiku 1 and is in a 26 meter deep water bed 12 km from the coast and was finished on 22 March, while test results yielded an oil of 37 API grades.

The second well, called Hayabil 1, is located 10 km southeast of Bolontiku 1. Test results yielded an oil of 48 API grades.

Pemex announced it would be possible with the above information to make well founded calculations of the volume of reserves and to begin preparing development programs for the oil fields and the production infrastructure in order to integrate them to the general exploitation plans.

Report Views Firms' First Quarter Performance

PA1104212095 Mexico City LA JORNADA in Spanish 10 Apr 95 p 48, 36

[By Roberto Gonzalez Amador]

[FBIS Translated Text] Affected to different degrees by the economic crisis, the Mexican firms registered on the Mexican Securities Exchange have been forced to dismiss workers, suspend the expansions scheduled for this year, or sell part of their assets to pay their contracted debts.

The first quarter's financial instability, caused by the sudden and disorderly devaluation of the peso and the government's confusing signals, had negative effects on the behavior of the so-called real sector of the economy, where, according to private sector estimates, one out of four businesses and productive units closed its doors, at least 250,000 jobs were lost, and workdays were reduced.

In this "First World disenchantment," as an analyst of the Grupo Expansion described the current situation, the great majority of Mexican businesses, with the exception of a few exporting companies, will report negative figures for net profits and sales during the first quarter.

In what might be considered an initial damage report, the Inverlat Financial Group indicated that according to comments from Kecs Storm, president of the Dutch Aegon insurance company, the European firm will delay its participation in Banamex [National Bank of Mexico] insurance due to the Mexican crisis. If it materializes, this partnership would mean that the Banamex insurance subsidiary would receive $167 million from the sale of 49 percent of Seguros Banamex and $216.5 million in 10-year loans.

In another area, Cementos Mexicanos, one of the five main cement companies in the world, planned to close the Atotonilco, Hidalgo plant if it did not reach an agreement to dismiss 200 more workers and reduce benefits for 300.

The cement company indicated this measure is part of a process to eliminate unproductive assets while shoring up efficient ones, such as its plant in Huichapan, Hidalgo, and the placement into operation of the unit in Tepeaca, Puebla. In addition, in light of the reduction in demand for cement in 1995, it has suspended the second phase of the expansion of the Atotonilco plant, which would produce half a million tons.

Meanwhile, Elektra, a firm that obtained positive results in the last two years, will postpone the expansion of 45 stores in 1995 due to the financial cost and the high interest rates. Nevertheless, it will inaugurate 15 branches this year.

The Inverlat report added that on 24 March, the Grupo Embotellador de Mexico decided to increase prices for the 19-liter bottle of Electropura water 16.7 percent.

The Situr Group, which manages hotels and is a subsidiary of the Sidek Group, will sell $350 million in assets during 1995 and 1996 to obtain greater liquidity. Two months ago, these firms experienced insolvency problems and temporarily suspended payment of their obligations.

According to the Inverlat report, the flow of cash from the operation might help Situr pay its short-term dollar-denominated liabilities of approximately $150 million. The long-term dollar-denominated debts amount to $450 million and are currently being completely restructured to obtain acceptable interest rates.

The report indicated that Situr is canceling several projects. It announced it will not participate in the Peruvian Enterperu enterprise but will continue with other projects it considers profitable, such as a casino hotel in the Dominican Republic, projects in California, the Papagayo hotel in Costa Rica, and new plans in Colombia and Brazil.

Situr continues with its personnel reduction plans. At the beginning of this year, it had 9,000 employees. It dismissed 1,500, and will eliminate 500 other positions. At the same time, it has registered 472 million new pesos in sales cancellations and has suspended its participation in programs for the construction of low- and middle-income housing.

In the service area, during the first two months of the year, the Videovisa Group registered a 6-percent drop in the demand for video rentals as well as zero growth in the number of stores. This decline is due to the reduction in consumers' entertainment budgets, which estimates indicate have been cut by half.

The situation is different for companies linked to the export sector and those whose domestic markets were being displaced by luxury imports.

An example of the former case is the bus manufacturer Dina, which has dismissed dozens of workers this year and partially suspended activities.

According to the Inverlat report, this year the company will export 1,750 vehicles to Central and South American markets. The company exported 430 units in 1993 and 740 in 1994, a 72 percent increase. This year's goal is a 136-percent increase in exports. It plans to export to Colombia, Chile, Ecuador, Guatemala, El Salvador, the Dominican Republic, and Panama.

The report added that in the next six years, the Domos Group will invest $6.5 billion in its three sectors of operation: telecommunications, ecology, and real estate. In the telecommunications sector, it will expand operations to Cuba. This year it plans to increase fivefold the capacity of the Etecsa enterprise, formed in coinvestment with the Cuban state telephone enterprise.

This enterprise provides long distance service between the United States and Cuba; 20,000 calls with an average duration of 12 minutes are made daily.

Other Domos projects are the development of a national network with public services of radiocommunication of data and radio location of vehicles, cable television, and 142 reception-transmission centers.

The Modelo Group, the main Mexican exporter of beer to the United States, is one of the enterprises that has not reduced production during the crisis since the product is directed at foreign markets.

Inverlat indicated that the beer consortium will maintain its long-term investment projects. These include the construction of its eighth plant, located in Zacatecas, with an investment of $640 million. The installations will include mechanical and electrical projects and the service infrastructure required for future expansions.

A third category of enterprises would be those "benefiting" from the current situation. In this group, Inverlat mentioned Herdez, which in 1994 maintained its market share in all product lines. In mayonnaise, it claimed 67 percent of the market; mole and seasonings, 80 percent; mustard and spices, 35 percent; sauces, 51 percent; and mushrooms, 69.8 percent.

This enterprise, the analysis added, registered a 5.9 percent increase in sales last year. It is expected to continue the upward trend in 1995 due to the barrier that will be erected to imported products. Nevertheless, its results will be affected by the loss in the population's purchasing power and greater competition from domestic products.

Roundup of Economic Developments

PA1004190995

[FBIS Editorial Report] The following is a compilation of reports on economic developments in Mexico monitored through 10 April.

According to a 5 April, Tampico datelined report, Mexico obtained $26.146 billion in revenues from tourism in 1994. The Confederation of National Chambers of Commerce (Concanaco) reported revenues from tourist-related activities created over 600,000 jobs in Mexico last year. A Concanaco official revealed that the tourism sector generated more revenues than the oil sector in 1994. As a result, the official concluded, the Secretariat of Tourism should not be abolished but should receive more government funding. (Mexico City NOTIMEX in Spanish 1612 GMT 5 Apr 95)

A 7 April, Mexico City-datelined item reports that industrial activity, that is, mining, manufacturing, construction, and electricity, rose 3.7 percent last January compared to the same period last year, according to the Secretariat of Finance and Public Credit, SHCP. The SHCP said this increase occurred despite a slowdown in industrial growth. The low industrial production registered in January 1994 in the manufacturing industry was reflected in this January's 3.7-percent growth, the SHCP concluded. (Mexico City NOTIMEX in Spanish 1455 GMT 7 Apr 95)

According to a 9 April, Mexico City datelined report, at least 400,000 quintals of coffee were lost in Chiapas during the current harvest due to the stalk-borer and rust disease. According to the leader of Chiapas coffee producers, coffee production in the state has been adversely affected by several problems, including social conflicts and the invasion of coffee plantations. The official remarked that 1.9 million quintals were expected, but only 1.5 million quintals will be produced. He concluded that Chiapas accounts for 35 to 40 percent of Mexico's overall coffee production, most of which is exported. (Madrid EFE in Spanish 0729 GMT 9 Apr 95)

Article Views Apprehension in Politics

PA0704231295 Mexico City REFORMA in Spanish 6 Apr 95 p 7A

[Article by Lorenzo Meyer: "Politics of Fear"]

[FBIS Translated Text]

Apprehension, and With Good Reasons

Under the leadership of Ernesto Zedillo, presidential politics have now entered a new phase in which apprehension is becoming a major ingredient in the decision-making process. A recent example in which apprehension played a major role in current politics is the decision by Fidel Velazquez and the CTM [Confederation of Mexican Workers] to suspend the traditional 1 May official workers movement parade. Obviously, and regardless of Santiago Onate's denial, it entailed a decision adopted, or at least accepted, by the president. Calling off an event that after decades came to symbolize the alliance and subordination of the unions to the government is no small matter. Therefore, the union leadership, as well as the president himself, must really be apprehensive about public reaction by organized workers in light of the government's decision to discontinue its historical commitments toward workers.

Given the circumstances of a severe economic crisis, the union leaders and the government are not being paranoid but, rather, quite rational. There are sufficient reasons for the government to be nervous about reactions from a massive gathering of workers during a time of broken promises, "for your family's welfare," and when the main thrust of the presidential energy is directed at safeguarding the interests of the principal domestic and foreign speculators—the $50 billion in loans the government has received from the United States and the international organizations are intended to satisfy these groups and not the Mexican people—at the expense of the majority of Mexicans who have been condemned to live in a recession.

The Sorcerers' Apprentices

Fear is not a new ingredient. It was inserted in the middle of Mexican politics during the past six years, but it had a different feature then as it does now: It was artificially fomented by and from the government in order to prevent the left of center opposition from consolidating the electoral support it was able to secure during the 6 July 1988 elections. As a matter of fact, practically from the moment Carlos Salinas' six-year term began, the Presidency's tremendous propaganda machinery orchestrated a persuasive campaign aimed at convincing those who had voted for Cardenas as a rejection of the PRI [Institutional Revolutionary Party] that they were playing with fire and that their actions entailed considerable danger for them, as well as the entire country.

For six years—by using the enthusiastic and daily assistance of the television monopoly, which is managed from an economic point of view with a capitalist criteria but with a politically Soviet criteria, radio manipulation through the Government Secretariat (RTC) [expansion unknown], the respective chamber, in addition to the control over large part of the press—Salinas set out to portray Cuauhtemoc Cardenas and his party as dangerous elements who, once in power, would create an economic chaos more or less similar to the one created by Ernesto Zedillo and his group.

This campaign also made use of the remnants of anticommunism and, finally, was able to associate in the minds of the viewers—the vast majority of the Mexican public obtains its political information exclusively from television—auditors, and readers the center-left opposition with violence, despite the fact the main victims of political violence during the six-year administration had been members of the PRD [Party of the Democratic Revolution]. Meanwhile, the PAN [National Action Party] also contributed its share to this campaign to sow fear among the voters because it had already picked Cardenism over the authoritarian presidency as its main enemy.

The fear campaign got worse with Zedillo as the emerging candidate. Shamelessly, and having as a useful background the murders of Luis Donaldo Colosio and Francisco Ruiz Massieu plus the Chiapas rebellion, a group of irresponsible and cretinous businessmen flooded the electronic media with absolute examples of fear propaganda. There is the one—an example is better than a thousand words—of a supposed dialogue between a father and his son which, according to what I remember, goes like this: "Father, I'm afraid. Of what, my son? Because you are afraid." Or that other one where an evil looking, gloved hand holds a chain saw that attempts to topple a big tree that is not made of wood but granite! In short, the objective of such an imaginative (?) campaign was to fix in the voters' minds the idea that a serious danger was looming over Mexico—Marcos? Cardenism? Both?—but that there was but one salvation at hand: the comforting slogans of the system: "I will vote for peace;" "For the well-being of your family;" "He knows how to do it," etc. The PRI and its candidate thus appeared before a uninformed and manipulated public as the forces of good that would defeat the empire of evil that for some obscure reason wanted to destroy Mexico.

The PRI vote of 1994 was partially induced by fear, a fear created by the power apparatus to sustain an already weakened status quo. Up to that point, things were going well for the sorcerer's apprentices, but the unexpected "December mistakes" were going to unleash another kind of fear that would sap the credibility of a government that was just getting used to its responsibilities.

The Fear to "Dangerous Classes"

The Zedillo victory in August 1994 was, in a good measure, a victory of the powerful propaganda apparatus of the government party and its allies, which was mounted on disinformation techniques. The government and its allies took good advantage of the civic culture of a society which, although it had been independent for almost 174 years, still has not had the central experience of a democracy, the interchange of parties in a government thanks to the emittance of the independent vote in situations of authentic competition. At any rate, once the PRI obtained its 12th consecutive victory and ensured power until the year 2000, the government stumbled on its own globalizing and speculative economic model, and this triggered the crisis, the magnitude of which is still incalculable today.

After only 20 days of the new government, the Zedillist slogan of "well-being for your family" turned to dust. A large part of those who voted for the PRI believing the permanence of the government party would initiate the distribution to the grassroots of the well-being that had concentrated in a fistful of families between 1988 and 1994 found a disagreeable surprise: In an emergency situation, the government again gave priority to the interests of the speculators over the interests of most of the population.

With good reason, most Mexicans today are humiliated, disillusioned, fearful, and angry. It is clear that had union members come face to face with the president at El Zocalo on 1 May, it would have been very difficult for them to control their feelings. Under such conditions, it is understandable that the governing class is afraid of the encounter and has decided to avoid it, even if it means having to break a tradition.

INCD on Garcia Abrego Control of Politicians, Police

95WB0031A Mexico City LA JORNADA in Spanish 29 Mar 95 pp 1, 40

[Article by Juan Manuel Venegas, David Aponte, and Ciro Perez Silva]

[FBIS Translated Text] The "baron" of the Gulf cartel, Juan Garcia Abrego, wields financial power and influence in political and police circles.

With a fortune exceeding $15 billion, he could control up to 10 percent of the federal agents in the Attorney General's Office, according to a report prepared by the National Institute To Combat Drugs (INCD).

The document remarks that the ex-attorney general, Enrique Alvarez del Castillo; the ex-deputy prosecutor in charge of the counternarcotics battle, Javier Coello Trejo; and the ex-commanders, Guillermo Gonzalez Calderoni and Carlos Aguirre Garza (the latter murdered on 31 January 1993), may have had connections with Juan Garcia Abrego.

Furthermore, it indicates that the Gulf cartel chief may have established links with the Cali cartel, the Italian Mafia (particularly for money "laundering"), various cocaine distribution rings in the United States, and major branches in Guatemala, used as "bridges" for moving drugs to U.S. territory.

It mentions the fact that, during the past 10 years, Garcia Abrego's organization smuggled approximately 5,000 tons of cocaine base into the United States. Moreover, in various operations, the Federal Judicial Police (PJF) and the U.S. antidrug agency (DEA [Drug Enforcement Administration]) have seized about 500 tons of the alkaloid from him.

The document prepared by the INCD, subordinate to the Attorney General's Office, describes the activities, structure, background, operations, connections, members, and "narcopolitical links" of the Gulf cartel.

It notes that, initially, this organization resulted from the merger of two drug trafficking groups entrenched in the town of Matamoros, Tamaulipas, and was headed by Juan Nepomuceno Guerra, Juan Garcia Abrego's uncle.

The nascent Gulf cartel immediately reinforced its influence in Tamaulipas State, extending to Nuevo Leon, Veracruz, Chihuahua, Quintana Roo, Oaxaca, Yucatan, and Chiapas. Very soon, it became the leading smuggler of Colombian cocaine into the United States.

According to information from the DEA and the Federal Bureau of Investigation (FBI), since the death of Rafael Aguilar Guajardo, founder of the Juarez cartel, Garcia Abrego has currently been vying for control over the passage of cocaine through Ciudad Juarez, Chihuahua. He already controls the Yucatan-Miami connection, considered part of this criminal organization's operational activity.

The report explains that Garcia Abrego's organization operates "through an army, equipped with modern combat weapons and with sufficient resources to remain constantly on the move. It is able to set up safe houses in different locations, thereby eluding the police operations aimed at capturing its ringleaders."

As part of that system, every three months it changes the air routes for cocaine, to evade the Mexican interception groups.

The following route is used to transfer the Colombian drugs to the United States: they enter Mexico through the southeast (Chiapas or Campeche), continuing directly northward (Nuevo Leon or Tamaulipas), or travel through the country's central area, bound for Texas or California.

With the aid of gangs operating on the Mexican-United States border, some identified as "Las Texas," "Los Valientes," and the "Charola gang" (comprised of ex-PJF agents), the Gulf cartel distributes the cocaine on U.S. territory.

The "Baron" of Matamoros and His Connections

Juan Garcia Abrego, for whom the Mexican and United States Governments are offering a reward of $1 million, owns a fortune estimated at over $15 billion.

Although he could be included among the world's richest men, in Mafia territory he is considered the "poor narco," when his fortune is compared with that of Amado Carrillo. The latter is one of the most powerful drug traffickers on the continent, known as "The Lord of the Heavens."

Nevertheless, according to the INCD text, Garcia Abrego's economic power would enable him to control 10 percent of the PGR's federal agents.

The influence that he wields over the country's federal, state, and municipal police has enabled him to evade the arrest warrant issued for him on 26 May 1990, for crimes against health and collection of firearms reserved for the Army's exclusive use.

Garcia Abrego, one of the 10 subjects most wanted by the DEA and FBI, "travels in a convoy of six or more vehicles with heavily armed men, who clear the way, providing security for the road on which the 'baron' of

Matamoros will later be riding." He is accused of being the brains behind at least 100 murders, including those of several journalists.

The INCD document includes a list of Juan Garcia Abrego's principal collaborators and contacts in the PJF and the political area.

Among the names underscored is that of Raul Valladares del Angel, his lieutenant, currently confined in the maximum security prison at Puente Grande, Jalisco, a man wanted by the U.S. Justice Department.

Another is Oscar Lopez Olivares, aka "El Profe," responsible for establishing the Colombian cocaine transport and distribution system in Oaxaca and Matamoros during the early 1980's. He is currently covered by the FBI's witness protection program.

Also, Tomas Morlet, ex-officer of the defunct Federal Security Directorate in Oaxaca, was responsible for confiscating drugs in that state and sending them to Garcia Abrego. This subject was killed at the Salon Piedras Negras in Matamoros, owned by Juan Nepomuceno Guerra.

Carlos Resendez Bertolouzi, considered the cartel's financial brains, is owner of several business firms established in Nuevo Leon, which he uses to "launder" money. Captured in July 1994, he was released six months later.

Guillermo Gonzalez Calderoni, ex-PJF commander, is accused of giving protection to the Mafia in Matamoros. Last October, a judgment was issued calling for his extradition to Mexico. He currently resides in Texas.

Marcela Bondestedt, an ex-television commentator, is an intermediary between the Gulf cartel "capos" and certain federal authorities.

Finally, the report briefly comments on Juan Garcia Abrego's "narcopolitical connections," including the ex-governor of Jalisco and ex-attorney general, Enrique Alvarez del Castillo, and ex-prosecutor Javier Coello Trejo.

Canadian Businessmen Plan To Invest $2 Billion

PA1104121395 Mexico City NOTIMEX in Spanish 1826 GMT 10 Apr 95

[FBIS Translated Text] Guadalajara, 10 Apr (NOTIMEX)—Canadian businessmen are waiting for the Mexican economy to improve in order to invest over $2 billion in projects, Canadian Ambassador to Mexico David Winfield stated today.

At the beginning of the Canadian Chamber of Commerce's activities in Guadalajara, he said that his main interest is in the privatization of Mexican Petroleum (Pemex) and the sectors of telecommunications, tourism, transportation and agroindustry.

He stressed that Canadian investors are waiting for interest rates to go down and for the parity of the new peso vis-a-vis the dollar to become stable in order to implement their projects.

Winfield explained that in 1994, bilateral commercial exchange represented more than $5.5 billion, of which Canada contributed $1.3 billion while Mexico contributed the rest.

He noted that the trade balance is favorable to Mexico in a proportion of three to one and there is hope that the bilateral exchange will increase by 100 percent from 1995 to the year 2000, when it should reach $10 billion.

The diplomat stated that about 10,000 Canadians live in Jalisco State, which is considered the second tourist destination of Canadian citizens after Miami, Florida.

Secretariat Bans Exports of Merchandise to Liberia

PA0804192095 Mexico City NOTIMEX in Spanish 1630 GMT 7 Apr 95

[FBIS Translated Text] Mexico City, 7 Apr (NOTIMEX)—The Mexican Commerce Secretariat has published in the official newspaper of the federation today an agreement banning exports of merchandise to the Republic of Liberia.

This prohibition was adopted based on the resolution approved by the UN Security Council on 13 January 1995, which alerts member states of their obligation to strictly adhere to the embargo on the shipment of weapons and military equipment to Liberia.

The Commerce Secretariat agreement stated the Security Council's decisions are compulsory for all UN member states, according to Article 25 of the UN Charter, and thus Mexico must abide by its rulings.

Starting tomorrow, 8 April, exports to Liberia of products established in the 52 complementary items included between the numbers 8411.11-9307.00 of the General Export Tax Tariff are prohibited.

El Salvador

Calderon Sol, War Disabled Envoys Sign Accord

PA0904150195 San Salvador LA PRENSA GRAFICA in Spanish 8 Apr 95 p A-3

[FBIS Translated Text] Yesterday, President Armando Calderon Sol and representatives of the war disabled from the Armed Forces and FMLN [Farabundo Marti National Liberation Front] signed a document that includes the agreements by which they will attempt to solve the problems of the disabled.

Calderon Sol said that the meeting had been "a complete success" and that the agreements had been signed in the presence of Vice President Enrique Borgo Bustamante and Enrique Ter Horst, chief of the UN Observer Mission in El Salvador.

The president said the payment of pensions and compensations would be remunerated a few days after Holy Week, adding the combatants who have great disabilities will receive payments that could amount to up to 100 percent of the minimum wage.

Treman Rodriguez, secretary of the Association of Disabled Personnel from the Armed Forces [Asociacion de Lisiados de la Fuerza Armada—ALFAES], said they had agreed to the following after three hours of negotiations at the Presidential House, which had started at 1000:

—The former combatants from both sectors who have injuries, between 1-10 percent, will receive 6,000 colones in compensation.

—The disabled combatants who have extensive disabilities, more than 10 percent, will receive a permanent pension that will run between 400-1,050 colones.

—The quantity to be received by each of the disabled will depend on how badly they are disabled, which will be determined by a special commission that will evaluate the beneficiaries.

Rodriguez told LA PRENSA GRAFICA that those agreements did not satisfy their expectations but that they accepted them, because they did not have a better alternative. He added that the war disabled had proposed double the amount that is to be given to them but that President Calderon Sol, alleging lack of funds, had established the mentioned amounts.

Rolando Garcia, representative of the Disabled Fund, also participated in this meeting.

The commission of the associations of disabled from the Armed Forces and the FMLN, which participated in the meeting, had three representatives each.

During the meeting, they also discussed the situation of Fredy Argueta and Marcos Flores Castro, two ALFAES members who were arrested during a protest last week. According to ALFAES sources, the president of the Republic had promised to make efforts to release the mentioned ALFAES members who are held in the Mariona penitentiary.

Rodriguez said they had asked the president to make efforts to release the ALFAES members as soon as possible, but it is expected the government will keep its promise during the second half of the current month because of the Holy Week vacations.

Guatemala

Government Standardizes Customs Tariffs to 10 Percent

PA1204042195 Guatemala City Televisiete Television in Spanish 0400 GMT 11 Apr 95

[From the "Channel Seven News" Newscast]

[FBIS Translated Text] On 11 April, the government will standardize its customs tariffs on imports of general consumption products to 10 percent in order to increase its fiscal revenues. This measure was taken after the Constitutionality Court overturned certain articles of the Tax Reform Law.

[Begin President Ramiro De Leon recording] As part of the 1994-1995 government agenda, which includes different solutions according to the circumstances prevailing at a given time, I inform you that I made the decision to unify all customs tariffs to 10 percent as I will explain to you now: the main objective of this decision is to fight corruption, as we will see later. On the other hand, it is an action taken prior to the lifting of customs tariffs, and it is indeed part of the customs modernization, which is in turn part of the state modernization. [end recording]

The decision the executive branch made will fight corruption and will facilitate international trade by simplifying procedures.

[Begin De Leon recording] Guatemala is supporting the efforts being made within the framework of Central American integration. With this measure, we hope we will be able, in the short run, to redirect actions toward a progressive lifting of customs tariffs; that is, this measure is in the course of economic integration. In this agreement, we decided to move forward toward a lifting of customs tariff. I am not giving any figures now; further on, perhaps, customs tariffs could be reduced to 5 percent. The idea is to take measures to ensure a progressive lifting of customs tariffs. [end recording]

On another subject, the head of state said that this government agreement includes the application of penal and administrative sanctions on tax fraud, as stipulated in the Law of Customs Fraud and Smuggling and the Penal Code.

Economy Minister Resigns; New Minister Sworn In

PA1204043795 Panama City ACAN in Spanish 2135 gmt 11 Apr 95

[FBIS Translated Text] Guatemala City, 11 Apr (ACAN-EFE)—Guatemalan President Ramiro de Leon Carpio today swore in Eric Meza Duarte, an attorney who until today had been his deputy secretary general, as economy minister. Eric Meza Duarte replaces Eduardo Gonzalez who resigned yesterday in disagreement with a customs increase approved by the government.

During a discreet ceremony at the presidential palace, de Leon listed the public posts Meza Duarte has held, which included, deputy secretary of the Monetary Board of the Bank of Guatemala, deputy secretary of mines and hydrocarbons, and deputy minister of public finances, among others.

De Leon thanked Gonzalez, who attended the ceremony, for "the correct way in which he managed his office" and for having accepted the "challenge" of participating in his transition government.

Gonzalez, an exporter of agricultural products and a banker, resigned yesterday because he disagreed with the presidential decision to increase to 10 percent the customs on capital goods and raw material.

De Leon told the former minister: "I understand why you resigned the same way that you understand the political decisions I must adopt."

In the opinion of Gonzalez, the president's decision will produce an import tendency, will exert pressure on the exchange rate, and will make Guatemalan exports less competitive.

According to Economy Ministry sources, the measure represents a customs reduction from 20 percent to 10 percent on finished products and luxury items.

Customs on raw material and capital goods went from 5 percent to 10 percent.

Gonzalez' position was backed by Eduardo Sperisen, general coordinator of the Businessmen's Commission for International Trade Negotiations [Comision Empresarial de Negociaciones Comerciales Internacionales—CENCIT].

The industrialist estimated that by raising customs on raw material and capital goods, production costs go up and put the local productive sector at a disadvantage with other markets.

He predicted that the customs drop on finished products will provoke an "avalanche" of articles and the eventual bankruptcy of industries and massive dismissals.

Sperisen, leader of the Chamber of Industry of Guatemala, said the sectors most affected will be the agricultural and textile sectors, whose raw material are acquired abroad.

These measures are the government's response to the Constitutional Court's ruling progressively suspending a fiscal reform to settle nine appeals filed by independent attorneys.

Ombudsmen Create Federation of Human Rights

PA1104124095 Guatemala City SIGLO VEINTIUNO in Spanish 9 Apr 95 p 4

[Passages in italics as published]

[FBIS Translated Text] The most relevant conclusion reached at the first meeting of human rights ombudsmen of Latin America, which ended yesterday in La Antigua Guatemala, Sacatepequez Department, was the role of the ombudsman as a key player in the fight against poverty and impunity.

During the three-day event, ombudsmen from Spain, Argentina, Mexico, Costa Rica, Honduras, and Guatemala analyzed the status of fundamental freedoms on the continent and agreed to create a forum to unite them. At the conclusion of the deliberations, the ombudsmen issued the *Declaration of La Antigua Guatemala,* which establishes the Latin American Federation of Human Rights Ombudsmen, Defenders, and Commissioners.

Guatemalan Ombudsman Jorge Mario Garcia Laguardia said the institution will monitor the protection of Latin American citizens, who will find in it support for their most deeply felt needs.

Garcia Laguardia added that an analysis of the status of freedoms is linked to the advancement of democracy and the existence of law and order. In this regard, he expressed his dismay at the *slow, precarious, and difficult* process of consolidation of respect for human rights on the continent.

Garcia Laguardia recalled the fundamental role played by the ombudsmen at this stage: mediators in conflicts, advocates for stronger institutions, and censurers of anti-democratic behavior.

Having cleared the way toward change in the last decade, Latin America is advancing toward the establishment of genuine states based on law and order, although some of its *enemies* remain *intact*, Garcia Laguardia warned.

These enemies are very strong and impede the process for change—something that has seemed like a permanent state of affairs since 1982—making us feel as if we will never achieve consolidation, Garcia Laguardia said.

Jorge Madrazo, president of the National Human Rights Commission of Mexico, described poverty as one of these *enemies*, which makes safeguarding these freedoms *fragile*.

Despite acknowledging that human rights violations continue, Madrazo emphasized the *political will* of the Latin American governments to face these conflicts and move forward.

Describing the figure of the *ombudsman* as a *key* piece in this struggle, Madrazo said that the *blows* received by nations against their right to develop is another of the clearest enemies against the strong existence of guarantees.

The representative of the ombudsman of Spain, Antonio Rovira Vinas, said the state of human rights in Central America and the rest of the continent is *complex*.

In this part of the world, *violations of basic human rights of the first order* occur and require more *forceful action by the ombudsmen*, Rovira Vinas said.

Because we are dealing with physical security, freedom, and the right to live, the work of the ombudsmen here (in Latin America) becomes more important, but above all requires more courage and strength, Rovira Vinas said.

The efforts of Alfredo Odio, defender of the Costa Rican people, are aimed at defending the political, economic, and social rights of his countrymen.

In keeping with this attitude, Odio expressed his opposition to an 8-percent increase in import duties approved recently by the administration of President Jose Figueres.

The federation, which will invite other ombudsmen, will be formally constituted in the second half of 1995, probably in Mexico, Garcia Laguardia said.

The Declaration of La Antigua Guatemala approved participation of the entity in the World Conference of the International Institute of Ombudsmen to be held in Buenos Aires, Argentina, in October 1996.

De Leon on Creation of Federation

PA1104124795 Guatemala City PRENSA LIBRE in Spanish 10 Apr 95 p 2

[FBIS Translated Text] President Ramiro de Leon Carpio has said that the creation of the Latin American Human Rights Federation reinforces the Human Rights Ombudsman's Office. The institution with the greater credibility is the Human Rights Ombudsmen's Office, which has been reinforced by the creation of the Latin American Human Rights Federation, he said.

He also said that he regretted that human rights violations continued in certain places but noted that people now had started to realize that the Guatemalan National Revolutionary Unity [URNG] is also responsible for the violations, as the Chajul parish's juridical office pointed out recently.

According to this office, human rights were violated 774 times by URNG, Army, and civil self-defense members and some department authorities in three Quiche municipalities.

Commission Issues Report on Human Rights Violations

PA1204034395 Guatemala City SIGLO VEINTIUNO in Spanish 10 Apr 95 p 3

[Passages in italics as published]

[FBIS Translated Text] The report by the Commission for the Defense of Human Rights in Central America (CODEHUCA) has stated *the case of Guatemala, where the reoccurrence and the relative increase of practices against human life as well as individual safety and security, is serious.* The report added *offensive police actions have accompanied those practices.*

In its analysis of this year's first quarter, CODEHUCA has identified Guatemala as a country with the highest number of basic rights violations. It has insisted the conduct of security forces in the face of these actions continues to be disrespectful and irreverent.

CODEHUCA added that impunity is the greatest obstacle in the struggle for the defense of basic principles, together with *influence peddling, concealing information, omitting reports, obstructing justice, protecting masterminds and perpetrators of violations. These are common practices of those who illegally abuse the force and authority vested in them.*

A new wave of political violence was unleashed during this year, particularly since 29 March, as is clearly reflected on the report by independent expert Monica Pinto, according to the report.

In the area of economic, social, and cultural rights, one cannot speak of an improvement either, much less of their validity, the CODEHUCA report has stated.

Regarding other countries of the area, the report has established that the current regional processes give rise to new concerns, including the reiteration of double speeches and double agendas that result in the nonimplementation at the national level of global commitments.

The repeated violation of basic rights in Central America has its own way of functioning and can also be explained by political factors rooted in the intolerance, national security doctrines, and militarism, which are, in turn, established in both power structures and certain civilian sectors, CODEHUCA added.

Regarding social sectors, it has warned of the consistent pressure international financial organizations have exerted over Panama, Costa Rica, Nicaragua, Honduras, and Guatemala for the fulfillment of adjustment measures, particularly privatization and downsizing of the state apparatus.

In countries such as Guatemala and Nicaragua, CODEHUCA added, they fear not only threats of massive unemployment and the privatization of health and education but also the social outbreaks these actions may cause.

According to CODEHUCA, the violation of basic rights stemming from unresolved structural problems has expressed itself primarily in violent evictions from land, enterprises, and houses in these two countries.

The continuity or reemergence of new cycles of basic rights violations is particularly worrisome. They are, in size and impact, more relevant in Guatemala, Honduras, and Nicaragua, concluded the report disclosed by Factor Mendez.

Nicaragua

Army Commander on Speedboat Purchases

PA1204034895 Managua LA PRENSA in Spanish 8 Apr 95 p 2

[Report by Roberto Orozco B.]

[FBIS Translated Text] Nicaragua Army Commander General Joaquin Cuadra Lacayo confirmed yesterday that during the next few months the Nicaraguan Army will reinforce its naval force with speedboats provided with ground-to-air missiles and "capable of firing and defending themselves" in case of attack by drug traffickers' aircraft.

After a meeting with ranchers from Chontales, Cuadra said: "Significant efforts are being made to provide the naval force with adequate means, including the acquisition of speedboats capable of operating at sea for five or seven days." Cuadra promised in Chontales he will continue fighting crime to improve the security of the countryside producers.

The Army's naval fleet was 80 percent destroyed by Hurricane Juana in October 1988.

The few naval patrol boats available have ground-to-air missiles of the C2-M type known as "Arrows," and they have "instructions to fire" if attacked by unidentified helicopters or airplanes.

Two helicopters and a T-33 type airplane of the Caribbean Air Group of the Colombian Air Force violated our airspace on 6 April while trying to prevent the arrest of a Colombian fishing boat caught in acts of piracy while navigating in Nicaraguan territorial waters along the Atlantic coast.

On that occasion, the Colombian helicopters and airplane harassed a Nicaraguan Coast Guard GC-307 80 miles east of Puerto Cabezas, while escorting the Colombian vessel "Miss Tina" to the captaincy in that port.

This time was the second in the past few weeks that the Nicaraguan Navy caught a Colombian vessel illegally fishing in our waters. The first incident occurred on 21 March, when the vessel "Sea Dog" was captured.

Nevertheless, Cuadra downplayed the incident with Colombia, saying both foreign ministries are in contact trying to solve the problem.

Panama

PRD Urges Change in Development Model, Part I

PA1004201395 Panama City EL PANAMA AMERICA in Spanish 9 Apr 95 p C2

[First of two installments of an article by the Democratic Revolutionary Party's Economic Commission]

[FBIS Translated Text]

1. IMPORT SUBSTITUTION MODEL

During the fifties, Panama adopted a growth style known as import substitution.

The import substitution concept sought development through successive phases. In one of the earliest phases, a country's basic imports were substituted with local products. The process subsequently progressed until semi-manufactured goods, such as capital assets, were also replaced by local goods.

To reach this goal it was necessary to create an appropriate atmosphere for local businesses by protecting them from foreign competition. According to this philosophy, once the necessary efficiency and competitiveness were achieved, the protection would gradually be reduced to integrate the country with the rest of the world.

2. DUAL ECONOMY

In this century, Panama concurrently developed an economy made up of two basic sectors to which different economic policies were applied. The first sector, which we will call the exporting sector, from the outset engaged in international trade and competed with the rest of the world. In this case, the state intervened very little to regulate the sector's activities. We are referring to the Colon Free Zone, the international banking center, banana and shrimp sales, the transisthmian oil pipeline, and other services.

It is impossible to neglect the fact that in carrying out these activities, Panama's geographic position and monetary system also proved positive.

The second sector, which we will call the domestic sector, involved activities that have the greatest effect on consumers. These activities have been developed in a climate of protection. They are agricultural and industrial activities. They represent less than 20 percent of the country's economic activity but employ over one-third of the population. The effects of this policy on other economic activities and on society a a whole are very complex and not fully understood.

To develop agriculture and industry for the domestic market, successive tax incentive laws were passed. These laws allowed the importation of raw material and machinery at low import tax rates. To protect production, high import taxes and various mechanisms were established to control the importation of goods produced by local industry (quotas, previous permits, and sanitation barriers).

In the case of agriculture, (except for bananas and shrimp), minimum prices (support prices) were established for producers. In certain cases, established prices were based on the production costs of the less efficient producers, who had to be protected and encouraged.

3. STATE REGULATION OF THE ECONOMY

This style of development must be regulated by the state or there will be a conflict of interests among industrialists, farmers, and consumers. Some products are considered raw materials for industrialists and therefore can be imported at a lower import tax rate, while for farmers they are local products, the production of which is encouraged, and therefore must be protected. The producers' goal is to obtain the highest prices possible, while consumers want lower prices and higher quality.

4. PRICES

The state will resolve the price conflict by using a price regulation mechanism. In most cases, due to the complexity of a cost per product accounting system, regulation is based on a formula of cost plus a reasonable profit.

One element that is not considered in this mechanism is increased productivity. In its simplest form, increased productivity means increased production with no change in employees' working hours or the area cultivated.

Therefore, the fixed-price mechanism as established does not account for or promote productivity, which eventually has a pernicious effect on various activities.

Once the state begins to regulate production activities and various prices, it must continue regulating the rest of the system. This is necessary if it is to arbitrate conflicts of interest and prevent excesses by the most powerful groups. To mention a few examples, this plan regulates food, leases, transportation, and labor relations.

5. LABOR CONDITIONS

In the area of labor relations and in other sectors as well, the productivity concept was neither considered nor promoted. As a result, a certain inflexibility was built into the traditional method of calculating the cost of products or services.

Requests for salary increases were based on the higher cost of living, without considering increased productivity.

6. BUSINESS STATE

In the early seventies, the state took control of electricity generation and telephone services throughout the country. Later on, as a result of the Panama Canal Treaties, Balboa and Cristobal ports were turned over to the state.

The economic significance of these facts is that, contrary to other countries, the government did not subsidize any of these services. On the contrary, the prices consumers pay more than cover these services' production costs.

7. DEVELOPMENT STYLE

This development style, with state regulation and intervention, was sustained without any major contradictions while the rest of the unregulated economy continued to grow and produce an increasing flow of foreign currency and employment for the growing population.

8. DEVELOPMENT POLICIES ARE DEPLETED

Having weighed the situation after almost half a century of regulation, protection, and other activities against foreign competition, this development plan is showing signs of virtual depletion and inconsistency with pro-integration plans.

First: Unregulated activities are not growing fast enough to produce new jobs (Canal Zone, banana-producing areas, Colon Free Zone).

Second: The other Latin American countries are moving toward integrating their markets, and they are making reforms that will detract from the advantages Panama offered foreign investors.

Third: Certain activities within Panama's regulated system will not facilitate integration with the rest of the world unless they are changed.

9. INTERNATIONAL COMPETITION

9.1 Loss of Job-Creating Dynamics

The economy created jobs for the growing population from the fifties to the mid-1970's. The banana companies, Canal Zone, Colon Free Zone, and banking center were still expanding at that time. There was an influx of funds that fueled the protected markets: agriculture, industry, commerce, and construction.

Unemployment rates at the time confirmed this. Average unemployment for the sixties was 6.5 percent. Poverty and unemployment, compounded by the petroleum crisis and the foreign debt, became Panama's main problems by the mid-seventies. Average unemployment in the seventies and eighties grew to 7.4 and 11.2 percent.

In the mid-seventies and with greater intensity during the eighties, Latin American countries made their economies more efficient and competitive by gradually reducing import taxes and integrating their markets. This has made it increasingly difficult for Panama to export nontraditional products to those markets.

9.2 Loss of Comparative Advantages

Due to financial and state reforms in Latin America, Panama is slowly losing the advantages it used to enjoy in attracting foreign investments. In the financial area, for example, certain Latin American countries have allowed free circulation of the dollar, opening of bank accounts in that currency, and free transfer of capital and revenues. State reforms have reduced costs in the areas of communication, electricity, port services, and other transportation means, thus we have lost our attractiveness, because it has become less costly to manufacture, handle products, and conduct business in other countries.

9.3 Development Alternatives

Panama has an immediate need to change its development style. It must move from a regulated economy to a competitive market. Throughout this article, we will present several reasons for this.

One: The most salient reason is the current economy's inability to solve our most pressing problems: unemployment, poverty, and abject poverty. There is no factor contributing to decrease income inequalities or to ease poverty and the social breakdown caused by unemployment.

Two: Advantages abroad have been lost, and this jeopardizes our economy's integration into the rest of the world.

Three: The costs (for the economy and society as a whole) of a future integration are increasing. This acquires greater prevalence and becomes an absolute priority on the agenda of issues to be solved in light of the ongoing negotiations to incorporate Panama into the World Trade Organization.

Part II of Article

PA1104042395 Panama City EL PANAMA AMERICA in Spanish 10 Apr 95 p C3

[Second of two installments of an article by the Democratic Revolutionary Party's Economic Commission]

[FBIS Translated Text]

TOWARD A NEW STYLE OF DEVELOPMENT

The Latin American economy is beginning to change in terms of the globalization process being experienced by the world economy. The Republic of Panama cannot be isolated from the economic changes being experienced by the world and particularly our neighbors. Based on this, there is a need to study the economic phenomena and to seek new alternatives in the style of development.

Prices and productivity constitute the disrupting factors of the national economy. As we examine the prices by sector, it is obvious that increased protectionism brings about higher prices compared with international prices.

1. AGRICULTURAL PRICES

In the case of the agricultural sector, the price of staples was fixed in most cases based on the production costs of the less efficient farmers.

This practice has led to different situations: first, in most cases, domestic prices are higher than international prices; and second, the profit margins were altered among different crops, which leads to an inadequate use of the land. This occurs because farmers plant those crops whose preestablished prices yield greater profits for them.

As prices are fixed outside the context of supply and demand and international prices, it becomes more difficult for local producers to export their products, because their profits will be greater as they face a market with regulated prices.

2. INDUSTRIAL PRICES

The case of the industrial sector is similar to that of the agricultural sector regarding the prices of its staples and those used for other activities. We are once again faced with conditions of extreme protectionism and a mechanism to fix prices, which keeps them separate from international prices. In this case, the higher prices are not only paid by the consumers but also by other sectors. This situation is being faced by the construction sector, which cannot import low-cost products because the import taxes that protect domestic production jack up the prices.

3. LABOR COSTS

As for labor costs, the current Labor Code, which seeks to protect manual labor as it does with capital in the agricultural and industrial sectors to the detriment of the economy's competitiveness, includes strict stipulations that raise the price of hiring manual labor. This cost is automatically transferred to the consumers (workers). This situation also affects the price of exports. In addition, the subsidy given to capital by fiscal incentives and the higher cost of manual labor create a price range that makes the hiring of workers more difficult.

4. THE COST OF PROTECTING SOCIETY

One of the effects on society of these protectionist practices in the agricultural and industrial sectors has been the high cost of food and other necessities, such as housing.

5. POVERTY

The high prices paid by Panamanian consumers (workers) compared to international prices make us reflect on the issue of poverty and its causes.

Poverty is a socioeconomic phenomenon that affects over 40 percent of Panamanian households. A method used to determine what constitutes a poor household is based on consumption. This method helps to determine which households face conditions of extreme poverty and which ones face poverty.

On the one hand, households facing conditions of extreme poverty are those that do not earn enough income to buy staples, which had a monthly cost of $217 in November 1994. On the other hand, poor households can buy staples, but do not have enough resources to meet other needs, including the purchase of services such as electricity, drinking water, and transportation, among others. The monthly household income that sets the poor aside from those that are not poor is approximately $430.

At this point, we must reflect on the following situation that occurs in our environment. If we compare the net family income (after taxes) of a poor family in Panama with family incomes in other countries, whether Central or South American countries, we find that our income is higher. Therefore, the argument of employers would seem true, in the sense that salaries in Panama are higher. However, for families (workers), their income is not enough to purchase all goods and services they require.

6. PRICES OF BASIC MARKET BASKET PRODUCTS AND SERVICES

The central point of this discussion lies in the prices of basic market basket products and services. There are studies and available information indicating that the price of services in Panama are higher than those in Central American countries, or countries with which we maintain commercial relations.

If we compare the prices of basic market basket products with international prices or with those of some neighboring country, for instance Costa Rica, we find that our prices are higher. A recent study demonstrates that the basic market basket costs 50 percent more in the Republic of Panama than in Costa Rica.

If the aforementioned statement is true, we must wonder why are food, housing, and basic services more expensive in Panama?

7. WEAR-OUT OF DEVELOPMENT MODEL

We will find the answer in the development model implemented over the last 50 years, which, through the price-fixing mechanism, has not only differentiated domestic from international prices making us less competitive internationally, but also prevents producers from visualizing the activity to engage in.

Another pertinent question would be, is it possible to resolve poverty with salary increases? This may apparently be the appropriate mechanism. However, price-fixing is based on the formula of cost plus a reasonable profit, without considering the amount or quality of produced goods. In other words, this mechanism has not considered productivity, thereby endangering competitiveness.

Certainly, a salary hike would increase costs in the different activities, which would result in an increase of prices. This situation would make us less competitive each time in international markets and would return us to the initial stage of poverty. It is a situation similar to that of a dog trying to bite its tail.

8. LOSS OF COMPETITIVENESS REGARDING SERVICES

A worrying aspect of the current development model, in addition to those mentioned above, is the slow growth of economic activity. The area of services is losing competitiveness in view of the reforms being introduced in Latin America, while the activities for the domestic market grow at the same pace as the population.

The concern for the slow growth of economic activity is because there is a close relationship between economic growth and job creation. Therefore, if in the next few years the economy does not grow at rates higher than those observed in recent decades, unemployment will rise, resulting in greater poverty and a worsening of the income distribution.

9. DEVELOPMENT STYLE NO LONGER GENERATES GROWTH

The description of the import substitution model and its mechanisms of implementation lead us to the conclusion that were we to continue with this model, the result would be slow economic growth, increased unemployment, poverty, and an inability to gain entry into the world economy.

10. ECONOMIC TRANSFORMATION

In response to this diagnosis of the situation, it is necessary to make a series of changes in our economy.

1. The socioeconomic problems affecting our society can be resolved by modifying our style of development.

2. In the area of services, we must change pertinent laws to allow the entry of foreign investments, resources, and technology. The private sector's participation in the provision of duly regulated services will not only help to reduce consumer prices, but it will restore part of the competitiveness our economy has lost. We are referring in this case to power, telephones, water, ports, and transportation costs.

3. In traditionally protected areas we must definitely abandon the import substitution plan and its regulatory mechanisms. We must implement a series of actions and laws that will direct us toward a truly competitive market economy.

Among the areas that are in need of modification are those involving mechanisms to protect international trade. This is in reference to high tariffs, quotas, and health barriers. These barriers must be reduced gradually but without excessive delays. We must join the World Trade Organization and legislate on such issues as health and merchandise evaluation. We will thus bring ourselves up to date with regional changes and be able to successfully integrate.

4. We must distance ourselves from the traditional price regulation plans. We must turn our institutions into true consumer advocates. The establishment of prices must remain in the hands of supply and demand, within a free market. For that, however, the free participation of all the forces must be allowed, without entrance restrictions. Therefore, we need a law that will prevent the

establishment and operation of monopolies or any other practices that hinder free competition.

5. Fiscal distortions and incentives must be eliminated because they direct investments toward activities that are not necessarily linked to the new style of development we want to build: a style aimed more at exports than at domestic markets.

6. The Labor Code should also be modified, as should the rest of the economic factors, because its inflexibilities raise production costs. Furthermore, by transforming the protected sector and directing it toward a free market and integration environment in which such concepts as competition and competitiveness are important, the current Labor Code will lose its validity.

Finally, a thought that puts us in context with the changes Latin America is currently undergoing. Other countries in the region have achieved or are taking positive and aggressive steps toward gaining entry to the international economy and changing their development styles.

Panama, with its peculiar monetary system, advantageous geographic position, and experience in competing in the area of services and market penetration can, within the short term and with the help of its entire community, make the necessary changes with equality, in a gradual manner, and in the appropriate sequence to guarantee success in the achievement of a new development plan.

Thus, the administration headed by our fellow party member, His Excellency President Ernesto Perez Balladares, has designed a transformation plan, a coherent and realistic plan called "Social Development With Economic Efficiency."

Argentina

Cavallo: Patents Law 'Violates' GATT Agreements

PY1204024795 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2341 GMT 11 Apr 95

[FBIS Translated Text] Buenos Aires, 11 Apr (NA)—On the evening of 11 April, Economy Minister Domingo Cavallo spoke in support of an amendment to the Patents Law enacted by Congress, arguing that the law "violates" the GATT agreements.

Criticizing the article of the law that provides for an eight- year transitional period before Argentine pharmaceutical companies begin to pay royalties, Cavallo underlined that "those who think they are benefiting Argentina by delaying for eight years the acknowledgement of patent rights are totally mistaken."

Cavallo made these remarks during a speech delivered at a congress organized by the Chamber of Informatics and Communications (Cicomra).

Di Tella on Patents Issue, Ties With UK, Weapons Sales

PY1104172695 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1252 GMT 11 Apr 95

[FBIS Translated Text] Buenos Aires, 11 Apr (NA)—Foreign Minister Guido Di Tella has maintained that "the way in which the United States intends to get what it wants provokes irritation," and he also believes that it would be "disastrous" for Argentina if it were expelled from the GATT because of the recently approved Patents Law.

"The United States has a way of demanding that provokes irritation; they say do this, do that, or otherwise I will apply sanctions, and one has to be very mature in order not to react as a Sicilian would. One has to take it with a pinch of salt and always think about what is best for the country," he said.

Di Tella acknowledged that he and Economy Minister Domingo Cavallo favor "a partial veto" of the Patents Law, and he admitted, without being specific, that there are five articles that are "creating problems, although there could be another one."

In this respect, he said that "substantive disagreements are talked about, but no one talks about agreements," and he also recalled that "Argentina has signed the GATT agreement together with other countries, and this includes the rules and regulations that are called TRIPS [Trade-Related Intellectual Property Rights], which specify what the countries are committed to where intellectual property is concerned."

Regarding compatibility, he believes that there are technical problems "because it is not a good policy to have two sets of legislation, with the need to resort to the courts each time this occurs."

"We have made a study and we believe that, yes, there are contradictions, and we believe that it is not a good policy just to sit down with our arms crossed and wait for the courts to say so because that type of ambiguity creates problems and the corporations do not know exactly what is in force," he said.

Asked by the morning newspaper EL EXPRESO about the possibility that the United States will punish Argentina, the foreign minister responded in the negative because he understands that "at the end of the month we will have some light shed with regard to the GATT TRIPS, for if it is in force, then it is very clear that there can be no punishment."

Going on to other topics, Di Tella revealed that there is an agreement between YPF [Government Oil Deposits—privatized] and England's British Petroleum for the exploitation of oil in the area of the Malvinas Islands, although he made it clear that "it is tied to the political agreement between Argentina and Great Britain."

"I believe we have a 40 percent chance in this regard—less than 50 percent—while the situation is good regarding other matters pertaining to the trade sector. Surprisingly, Great Britain is one of the main investors in the privatizations, and its financial support is excellent," he said.

Regarding the topic of the sale of weapons, Di Tella lamented the fact that "the country's image has been compromised for a few cents," and he stressed that the results of the investigation indicate that "the question is a much more serious one than was believed at the beginning."

He indicated "it would not be strange if heads fell" at the end of the investigation, and he rejected that idea that Argentina could be punished for the irregular sale of weapons to Ecuador during its conflict with Peru, and to Croatia, where the United Nations has applied an embargo.

Discord Among Laboratories Over Patents Bill Issue

PY1004193095 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1805 GMT 8 Apr 95

[FBIS Translated Text] Buenos Aires, 8 Apr (NA)—Pablo Challu, the head of the Argentine Industrial Center of Pharmaceutical Laboratories (CILFA), said today the new Patents Bill—which was approved in Congress—"perfectly conforms to GATT regulations." He emphasized that the bill is the result of "an honest and highly participative process"

Felix Rosansky, a representative of the Studies Center for the Development of the Argentine Chemical-Pharmaceutical Industry (CEDIQUIFA), believes the controversial bill "does not meet GATT regulations." He believes its promulgation may "isolate Argentina on the international market."

Challu said the claim of the U.S. and the EU "is unlawful." He said: "Those who believe this bill does not conform to international mechanisms should file a complaint with the appropriate courts."

Challu told a radio station: "It is unacceptable for anyone to threaten us with the application of sanctions, or to curtail our access to loans. U.S. officials consider the bill unacceptable. I want to know who authorized them to judge another country's laws."

The CILFA head said U.S. agricultural subsidies "significantly damage Argentine interests but no one has come up with the idea of getting the [Argentine] ambassador (to that country, Raul) Granillo Ocampo to say it is unacceptable: He would be expelled from that country the next day."

Challu pointed out: "Our Congress discussed this issue four years ago. It allowed all sectors to voice an opinion and a sovereign decision has been made. Some U.S. Government officials, who now say the bill is unacceptable, are really the ones who do not want to cooperate."

Rosansky explained that his stance "is supported, to a certain extent, by Foreign Minister (Guido) Di Tella who said the bill as a whole conforms with GATT regulations, but hinted that there are specific articles that might not conform to GATT regulations."

Rosansky said: "There could be cooperation or modifications, but it is not possible to take an unyielding stance on this issue. We must not isolate ourselves, not build walls, and not become involved in this type of confrontation because Argentina wants to participate internationally."

With regard to possible sanctions by the United States, Rosansky emphasized: "GATT mechanisms establish a series of regulations that are fairly technical." He added that "it is not possible to predict what will happen."

He said: "Quicker negotiation mechanisms should be established." He is optimistic about a future amendment of the bill "because, as the Argentine Constitution points out, international treaties take precedence over national laws."

Political Party Leaders View Patents Bill

UCR Presidential Candidate Backs Menem

PY0704170395 Buenos Aires TELAM in Spanish 1425 GMT 7 Apr 95

[FBIS Translated Text] Buenos Aires, 7 Apr (TELAM)—UCR [Radical Civic Union] presidential candidate Horacio Massaccesi announced this morning that he had sent a letter to President Carlos Menem asking him "to refrain from vetoing the patents bill" and offering his political support for coping with "pressures" against the bill.

Massaccesi made this announcement shortly before lecturing at a seminar on employment policies. He announced that in his letter he tells Menem that he is at the disposal of the executive branch to support last week's congressional approval of the patents bill.

FrePaSo Hopeful Criticizes U.S. Pressure

PY1004182095 Buenos Aires TELAM in Spanish 1845 GMT 8 Apr 95

[FBIS Translated Text] Buenos Aires, 8 Apr (TELAM)—Jose Octavio Bordon, the presidential candidate of the FrePaSo [Front for a Country in Solidarity], stressed today that an executive branch veto of the Patents Law would be intolerable. He said even Henry Kissinger criticized "the pressure being applied by" U.S. Ambassador James Cheek.

Bordon said."I do not know why Ambassador Cheek supports legal loopholes. He seems not to understand that partial vetoes which deform a law we will continue to frighten away investors."

The senator for Mendoza Province insisted that Cheek's conduct surprises him because "we know how the president of his country respects Congress."

He added: "I am still profoundly incensed over the pressure Cheek is applying. Even Dr. Kissinger criticized it when in Buenos Aires."

Bordon referred to this at the metropolitan airport on his arrival from Cordoba and during a news conference during a FrePaSo campaign tour.

He said an executive branch veto of a law that has been approved by Congress would mean "losing sovereignty and capitulating at the feet of the great powers."

He said: "We have had enough of vetoes that deform laws. It is time [President Carlos] Menem and [Economy Minister Domingo] Cavallo got on with their work and left us to our job of legislating."

Bordon said: "We, senators and deputies approved the law with purpose." He said: "It is intolerable for a law to reach the executive branch only to be chopped up and substituted by another law."

UCR Candidate Criticizes U.S.

PY1004184495 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2041 GMT 9 Apr 95

[FBIS Translated Text] Buenos Aires, 9 Apr (NA)—Threats of trade sanction by the United States over the Pharmaceutical Patents Bill—which has been approved in Congress—have prompted UCR [Radical Civic Union] presidential candidate Horacio Massaccesi today to ask President Carlos Menem "not to bargain."

Massaccesi criticized some U.S. Government officials for their "lack of respect" for Argentine democracy as they "improperly" challenged "a bill that had been honestly approved" in the Argentine Congress.

The UCR candidate noted: "An honorable and sovereign country cannot kneel to such a tremendous display of arrogance, no matter how reasonable the issues under dispute may be."

The Rio Negro governor said this shortly before he was due to leave for the Buenos Aires Province city of Rauch as part of his electoral campaign for the 14 May general elections. His trip was canceled at the last minute.

Massaccesi asked how the U.S. Congress would react if foreign governments "insisted that the U.S. Congress abolish laws against foreign immigrants in the United States, or lift the blockade on Cuba."

Massaccesi noted: "If the Argentine Government, under the excuse that the patents bill is not perfect, chooses to veto the bill, we would become in the eyes of the international community an unreliable banana republic in which bills are drafted by lobbyists."

In the UCR presidential candidate's opinion, the bill approved in Congress "may have debatable points." He emphasized that the bill, which was approved by the legislative branch, "balances the claims raised by the sectors involved."

The UCR presidential candidate noted that the sectors involved include "public health, national and foreign laboratories, invention patents, the protection of scientific research, and technological development."

Massaccesi explained: "A good law is the one that seeks to harmonize and protect the interests of the largest part of society."

Massaccesi noted: "From the point of view of some involved sectors, the patents bill—like any law—is not perfect."

The presidential candidate emphasized that President Menem must "understand that Argentina's reputation as a serious and independent nation is at stake."

Massaccesi indicated: "Unfortunately, a hard blow was dealt a few hours ago to Argentina's prestige when the United Nations ordered the capture of the ship carrying Argentine weapons to Croatia."

The UCR presidential candidate pointed out: "The international community is asking about the logic behind a country that sells weapons to one nation at war while having its troops deployed on a peace mission."

Massaccesi added that the international community "also harbors doubts about the trustworthiness of a nation that votes in Congress on a bill—with the approval of the majority of its political forces—and subsequently, a few days later, recants when representatives of a foreign country protest."

The UCR presidential candidate said our country is experiencing a social and economic "emergency." He said that to resolve this issue, "measures to reconcile political power with employment should be taken."

First Scientific Satellite Project Highlighted

PY1104172995 Buenos Aires TELAM in Spanish 2140 GMT 7 Apr 95

[FBIS Translated Text] Buenos Aires, 7 Apr (TELAM)—The Foreign Ministry today announced that the first Argentine scientific satellite, SAC-B [expansion unknown], will be put into orbit during 1995. The satellite will monitor energy phenomena in the solar atmosphere and other phenomena of galactic and extragalactic origin.

The satellite project, which was implemented after the signing of an agreement between President Carlos Menem and then U.S. Vice President Dan Quayle in 1991, will probably have an average duration of three years.

The National Commission for Space Research, which is under the Presidency of the Nation, and NASA (the U.S. space research agency) entered a commitment to develop a space activities program. The SAC-B satellite is their first project.

The "Agenzia Spaziale" of Italy and the "National Institute of Space Research" of Brazil are also participating in the project.

An official communique released by the Foreign Ministry notes that the SAC-B will be carried by a Pegasus XL rocket that will be launched from an L-1011 plane at an altitude of 12 km.

As soon as the satellite reaches the solar atmosphere, it will be guided by an automatic system that will put it in a preselected orbit. During its mission, the satellite will transmit to a ground station—located in Buenos Aires Province—100 megabytes of scientific data per day.

The SAC-B's scientific instruments include a hard x-ray spectrograph (HXRS) that will be operated by the Institute of Astronomy and Space Physics of Argentina. The spectrograph will measure the chronological evolution of hard x-rays emitted by solar explosions.

Technically, solar explosions are violent events in which the magnetic energy stored in the solar atmosphere is explosively released through the emission of high-energy particles, electromagnetic radiation covering the entire energy spectrum, heat, and shock waves.

The satellite also has a combination of detectors to measure these x-rays and gamma-radiation measuring devices ("Goddard-GXRE X- Rays Experiment") operated by NASA.

The satellite also includes a scattered x-ray background detector (CUBIC) [expansion unknown], operated by

Penn State University, and an Italian Space Agency instrument to measure high-energy neutrons.

The combined monitoring of the x-rays emitted during these solar explosion episodes will increase the current knowledge of the interaction between accelerated particles and the solar atmosphere.

President Orders Replacement of Envoy to Ecuador

PY0704145495 Buenos Aires TELAM in Spanish 1650 GMT 6 Apr 95

[FBIS Translated Text] Buenos Aires, 6 Apr (TELAM)—Foreign Ministry sources have announced that President Carlos Menem today ordered the return of Argentine Ambassador to Ecuador Jose Luis Fernandez Valoni to our country. He will be replaced by Ambassador Maria Ester Bondanza.

The executive branch based its decision to transfer Fernandez Valoni on "service grounds, using the powers bestowed upon it by the Constitution."

The official resolution is included in Decree No. 475/95, published today in the BOLETIN OFICIAL and signed by President Menem and Foreign Minister Guido Di Tella.

Foreign Ministry sources noted: "Fernandez Valoni asked in late 1994 to be transferred to Buenos Aires. At that time, a favorable decision on his petition was mentioned. There were hopes, therefore, to actually transfer him in March."

Foreign Ministry sources also indicated that the diplomat's transfer "has nothing to do" with the alleged diversion of Argentine weapons to Ecuador.

According to the BOLETIN OFICIAL, the expenditures incurred in Fernandez Valoni's transfer to our country "will be charged to the respective Foreign Ministry budget appropriations."

Menem Delivers Speech to Justicialist Convention

PY0804034695 Buenos Aires TELAM in Spanish 2153 GMT 6 Apr 95

[FBIS Translated Text] Buenos Aires, 6 Apr (TELAM)—President Carlos Menem today asked the Justicialist Party [PJ] members to meet the 14 May electoral challenge "with good spirit." He delivered a speech to the PJ Convention at which the PJ platform was approved.

The president said: "When a tree is pruned, it seems that it is taking a hard punishment, but it reappears strongly; Justicialism has been hit many times, but also reappears strongly."

Menem asked party members to pursue "the good spirit of [PJ founder Juan Domingo] Peron and Evita [Eva Duarte, Peron's wife], faith and hope" because "mountains may be removed with faith and love." He pointed out: "Hopes for a better future and contacts with the people guarantee our victory on 14 May."

In his speech to the PJ conventioneers, the president emphasized: "Our country was in a dramatic condition when we were installed, and all the Argentines, not only the PJ people, have cooperated in prompting the historic change that we are experiencing now."

Menem added: "When I say all the Argentine nation, I have to say that it actually was General (Juan Domingo) Peron who planted this seed."

Menem recalled the slogan "for a Peronist there is nothing better than another Peronist." He noted that, after returning to our country from a long period of exile, Peron transformed this slogan into "for an Argentine there is nothing better than another Argentine."

Menem said: "When we raised our electoral platform in 1989, we clearly kept in mind our leader's idea: 'unity, organization, and solidarity.'"

The president added that, in addition to Peron, he used the ideas of other "eminent Argentines" like "Juan Bautista Alberdi [Argentine lawyer, writer, intellectual, father of 1853 Constitution], who used to say that a governor had to pacify the country and transform it."

Menem emhpasized: "We began in 1989 with these clear ideas, in addition to the social issues inspired by Eva Peron."

Menem noted: "Argentina has been totally pacified despite the efforts made by some people who want to open painful wounds in the body of our Republic."

Menem said many people talk about "Peron by ear because they have not read his works." He noted: "The state transformation that we are implementing has been described in the general's works."

The president emphasized: "General Peron used to ask the entrepreneurs to take over the public enterprises because the state could no longer bear them." He added: "Peron also told this to the workers."

After emphasizing the advantages of the "market economy," Menem pointed out: "Thanks to this market economy, we have stability and a sound currency, and we have defeated inflation."

Menem noted: "Last year the yearly inflation rate was less than 4 percent and this year it will be even lower."

Menem emphasized: "The state must handle justice, security, health, and education; the rest must be handled by the private sector."

In this regard, Menem noted that the state was able to get rid of "a yearly debt totaling about 10 billion pesos."

The president emphasized: "There is a fact that no one mentions: Total removal of the foot-and-mouth disease from our livestock production, which allows us to export meat to the entire world; this is one of the main achievements of this administration."

The president emphasized the fact that Argentine entrepreneurs had issued a 1.2 billion-peso bond "when things were hot." He noted: "Confidence in our country has been evidenced by the loans that are coming from abroad."

Touching on unemployment, Menem pointed out: "We are the only ones who are in a position to fight it because we have the required mechanisms, like advanced labor laws."

The president then mentioned a five-year plan, including "200 basic projects for Argentina like the Rio Bermejo channel project and the Federal Channel, among other projects."

In a remark directed at those who "have jumped over the PJ fence," Menem said: "They could have remained in the party, where they had more facilities."

The president also called for strictly respecting women's quotas in the electoral lists, noting that "some cunning comrades do not want to implement this." He pointed out: "The rules have been established and the women have to fight to ensure that they are respected."

Menem Meets Justicialist Mayors

PY1104125995 Buenos Aires NOTICIAS ARGENTINAS in Spanish 0135 GMT 11 Apr 95

[FBIS Translated Excerpt] Buenos Aires, 10 Apr (NA)—President Carlos Menem said today that "78 billion pesos will be invested" in the Public Works Program of the 5 Year Plan. He said: "No municipality will be left out of this project, which will fight unemployment."

Menem said: "By the time I finish my mandate, unemployment will have been reduced. This will show that democracy is consolidated with deeds."

The president said this during the speech with which he closed a meeting of Justicialist mayors and municipal delegates at the Parque Norte Complex in this capital.

Menem urged the mayors of his party "not to follow those who use the story of devaluation." He added: "This year's inflation will be less than the 3.9 percent registered in 1994."

The president said: The municipality is the fundamental nucleus of our proposal. Municipalities are the cornerstone of the institutional organization. The mayors understand the problems of the people." [quotation marks as received]

He defended the state reform that his government has implemented because "the privatization of public enterprises has enabled the country to acquire 10 billion pesos that previously melted into thin air."

He emphasized: "Some people talk about grandmother's jewels, but when those jewels lose money, the people must pay. An agile and modern state has been built on the basis of privatization."

Menem warned: "Had the state reform had not been implemented, Argentina would have been blown away by the crisis that followed the devaluation of the Mexican currency."

The president thus closed the meeting that began at 1100 with the participation of some 500 mayors from throughout the country. They discussed ideas regarding various sectors of the government, and the progress of the election campaign of the Justicialist Party [passage omitted]

Menem Signs Assets Affidavit Decree

PY1104155995 Buenos Aires TELAM in Spanish 2219 GMT 6 Apr 95

[FBIS Translated Text] Buenos Aires, 6 Apr (TELAM)—President Carlos Menem today signed a decree establishing that all public servants must file assets affidavits.

Explaining the governmental measure, Justice Minister Rodolfo Barra said: "The goal is to increase efficient control mechanisms and eliminate malpractices."

Decree No. 494/95 establishes that "all Argentine Public Administration servants, centralized or decentralized, working for autonomous organizations, state-owned companies, or enterprises financed jointly by government and private capital must file assets affidavits."

The decree states: "Public servants must include in their assets affidavits a detailed list of all assets, credits, debts, and income—as well as those of their spouses and children—located or acquired in our country or abroad."

The system establishes that an affidavit must "be filed within 48 hours of the appointment or promotion, and another one within 30 days of the termination of duties."

The decree states that "new assets must be reported every year" as "administrative penalties and proceedings" have been established "for public servants who fail to comply with this system."

The decree states that the information will be held for "10 years at a registration office under the Government Notary General's office" and will be of a "confidential and secret" nature.

The measure was jointly drawn up by the Attorney General's office, the Justice Ministry, the Treasury's legal office, the Auditor General's office, the General Trusteeship of the Nation, the office of the National Attorney for Administrative Investigations, and the Public Function Secretariat.

The decree notes that this measure "complements the bill that reforms the penal code, proposing serious penalties for public servants who commit criminal actions."

Senate Approves Central Bank Reform Bill

PY0704180195 Buenos Aires TELAM in Spanish 0205 GMT 6 Apr 95

[FBIS Translated Text] Buenos Aires, 5 Apr (TELAM)—The Senate tonight approved the bill amending the Central Bank [BCRA] Organic Law. The new law establishes a Deposit Guarantee System that seeks to safeguard savers' interests.

The amendment was supported by the Justicialist Party [PJ] and Radical [Radical Civic Union] blocs and by representatives of provincial parties, with the exception of Autonomist Romero Feris and Mario Fadel, member of Catamarca's Pais Bloc.

The new law establishes that the insurance will be compulsory, limited, and will carry a cost for financial institutions. The law also increases the amount that will be guaranteed from 3,000 pesos or dollars to 5,000 pesos or dollars, although only for 90-day deposits.

The law establishes that the Guarantee Fund will be built up with compulsory contributions from financial institutions, which will help create a reserve to safeguard savers' interests.

The law gives the Central Bank the prerogative of granting banks rediscounts or advances on current accounts, which turns it into a last resort credit institution in assisting entities with liquidity problems. This assistance will be conditioned to "whenever it is deemed necessary."

The purpose of these Central Bank regulation amendments is "to provide adequate liquidity to the financial system, when circumstances make assistance advisable."

The law makes it clear that these rediscounts will "under no circumstances compromise" the Central Bank's freely disposable reserves that support the monetary base.

The BCRA will be able "to grant, transfer, or sell" credits it had purchased from entities affected by liquidity problems to financial institutions "with excess liquidity."

The discussion of the bill started after the conclusion of numerous meetings between Central Bank directors and presidential Secretary General Eduardo Bauza to overcome objections to the text.

Justicialist Party legislators questioned the amendments introduced into the bill by the Chamber of Deputies, including the elimination of the one-year deadline for the BCRA to grant "rediscounts" and advances on current accounts. [passage indistinct]

Although senators later approved the text with the modifications approved in the Chamber of Deputies, PJ members did question the deputies' changes.

The criticism was voiced during a luncheon of PJ legislators with BCRA President Roque Fernandez, Technical and Legal Secretary Horacio Liendo, and Insurance and Banks Secretary Roque Maccarone.

Bank Association Official on Banking Problems

PY1004135395 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2208 GMT 7 Apr 95

[FBIS Translated Text] Buenos Aires, 7 Apr (NA)—Norberto Peruzzotti, the executive director of the Association of Argentine Banks (Adeba), today noted that some "banks are bankrupt and will have to be liquidated."

The Adeba executive director explained that "not only bank account holders, but many banking institutions that have been mismanaged, will lose" with the profound reorganization of the financial system."

He told the NOTICIAS ARGENTINAS news agency that the participation of leading banks in the process of purchasing banking institutions "depends on the situation of the banks to be purchased and on the structure of their portfolio."

"We believe some banking institutions will definitely have to be liquidated," the Adeba executive director added.

Peruzzotti pointed out: "Fifty banks hold 80 percent of total deposits, while another 120 banking institutions hold the remaining 20 percent. I am not saying with this that only 40, 20, or 100 banks should remain in operation. I am merely supplying objective data based on information released by the Central Bank."

The Adeba executive director emphasized that "it is a mistake" to hold Mexico responsible for the crisis being experienced by the Argentine financial system "because there were already structural problems in the financial system, problems that particularly involved small institutions in the interior of the country and commercial banks."

With regard to the reorganization of the financial system, Peruzzotti pointed out: "We do not believe in certain types of mergers either, as they involve a feast or famine approach. This represents a source of fiction because it is not possible to establish a sound bank with five bankrupt banks."

The Adeba executive director emphasized: "They are a bad sign. They will prompt mid-term instability in the financial system. In our opinion, this type of merger is a bad practice."

Peruzzotti indicated that a private guaranteed deposits system "has to begin operating after the process of putting the banks on a sound footing." He admitted that this is "one of the points under discussion with the Central Bank."

Peruzzotti reported that no meetings with the Central Bank have been scheduled for the next few days. He noted: "I believe this issue will be resolved after Easter. I do not believe anything will be resolved before Easter."

"The Central Bank and the Fiduciary [Capitalization] Fund have to implement the streamlining," Peruzzotti added. He explained that Adeba "definitely supports the existence of a guaranteed deposits system, but the risks involved have to be weighed, as it is not a safe system."

Peruzzotti added: "We cannot downplay the significance of the Mexican crisis, but some banking institutions already were having problems before this crisis."

Peruzzotti noted: "It is a mistake to hold Mexico responsible for these problems. There were structural problems in the financial system, particularly involving small institutions in the interior of the country and commercial banks."

The Adeba executive director said "no dates have been set" for the guaranteed deposits system to begin operating. He noted: "The implementation of a guaranteed deposits system is a very serious issue, extremely important for bank account holders; it requires careful consideration by the Central Bank and the banks that will participate."

Peruzzotti said he is not "sure that the Central Bank is convinced" of the necessity of streamlining the financial system before implementing the guaranteed deposits system. He therefore believes that "Minister (Domingo Cavallo)'s involvement in this issue has been timely and will force all the parties involved to ponder."

With regard to the Fiduciary Bank Capitalization Fund's operation, Peruzzotti indicated: "We are not aware of the fact that it is already operating in specific cases, but the point is that the Fiduciary Bank Capitalization Fund represents a lower court while the Central Bank is the higher court, therefore, it all depends on how fast the Central Bank sends cases to the Fiduciary Bank Capitalization Fund."

Macri, Smith Barney Seek Brazilian Partner

95SM0273A (Internet) Argentina Gopher in Spanish 31 Mar 95

[Commentary by Claudio M. Chiaruttini: "Macri Will Have Its Holding Company in Brazil"; from EL CRONISTA COMERCIAL News Summary 31 Mar]

[FBIS Translated Text] Francisco Macri is preparing to disembark in Brazil. He will not be alone, though; rather, he will be accompanied by the Smith Barney Investment Bank, with which he is putting together a fund to take part in the privatization process that the administration of Fernando Henrique Cardoso will be pursuing in the months to come. The undertaking does not end there, however. The Macri and Smith Barney group is currently seeking a Brazilian partner to set up an industrial holding company that will be active in three areas: computers, food, and infrastructure and services projects. According to the financial director of Socma, Ernesto Gaspari, "The fund will be launched before yearend and will bring together between $300 and $500 million in a first stage. The Macri group will be the general manager; Smith Barney will lend its support and international experience, and we hope that the Brazilian group will provide its experience in selecting businesses and will work together with Socma in running the ones we acquire."

Unlike distinctly financial investment funds, such as venture capital funds, the goal of this undertaking will be to acquire majority shareholdings in companies in order to control them. "We are an industrial group; the potential partners that are being looked at in Brazil have that characteristic too, so our goal is to manage the companies we acquire, not just to make strategic public offerings," Gaspari explained. The pace at which the fund is set up and launched will depend in part on the timetable of the Cardoso administration. "We have already taken a first step. Sideco opened an office in Sao Paolo to start analyzing investment projects, especially in the electric power sector, inasmuch as the first enterprises to be put up for sale belong to this sector," the executive indicated. Another company in the group that entered the Brazilian market in recent months was Itron, the Macri group's holding company in the high tech field. The operation was realized through the purchase of a majority shareholding in Proceda, a company in the Bunge and Born conglomerate, which was a pacesetter in this market segment. The transaction is one of the changes that the Bunge group is undergoing in Brazil and that represent disinvestment in several areas.

The third company in the Macri group that is getting ready to set up shop in Brazil is Canale. At present the company Canale do Brasil is in the process of incorporating and registering with the Brazilian authorities; its objective will be "to import, export, distribute, market, and process foodstuffs," Gaspari indicated.

"First we are going to concentrate on setting up a chain of distributors and then we will channel our efforts into production. This way we hope that Canale can double its business in a very short time. Over the past fiscal year we had sales of $103 million, and we hope to hit $300 million through combined operations in Argentina and Brazil," Gaspari emphasized. Also under study is a merger between Canale and the Coragri companies to concentrate foodstuffs operations in the former. In the case of Sevel it is still too early to make any announcements. Since the agreement with Fiat just closed in recent hours, the plans for Brazil could be carried forward with French partners. According to news from Paris, Peugeot and Citroen could focus their Mercosur efforts in Argentina.

Brazilian newspapers have put forth one scenario: Peugeot could invest between $300 and $500 million in

Brazil to set up a plant with the capacity to assemble 100,000 automobiles a year. Moreover, a delegation from the auto parts company Ecia, an affiliate of Peugeot, looked into the possibilities of entering into cooperation agreements in this country, although we should not rule out a venture with the Macri group that takes advantage of its current position in the Brazilian market.

The Macri group's plans are not being held back by the tequila effect. "The creation of the Investment Fund for Brazil started a year ago. During this time we have analyzed all of the alternatives, and the Mexican crisis does not present problems. The financial investment of the International Financial Corporation in Socma and its becoming a partner in Sideco cover the group's liquidity needs for this year. A public offering of Ecogas, the gas distributor in Cordoba and Cuyo, is still pending, but this will happen when market conditions are more favorable," Gaspari explained.

Bank Deposit Guarantee Discussed

95SM0273B (Internet) Argentina Gopher in Spanish 31 Mar 95

[Commentary by Daniel Soria: "The New Guarantee Would Cover 75 Percent of Deposits in Each Bank"; from EL CRONISTA COMERCIAL News Summary 31 Mar]

[FBIS Translated Text] The complementary system of private guarantees could eventually cover up to 75 percent of the funds that the banks in liquidation have in time deposits, savings associations, and checking accounts, both in pesos and in dollars. The final say about the coverage limit will be up to the Central Bank (BCRA) when it draws up regulations for the amendments to its charter.

This percentage, which does not appear in the final wording of the text approved by the lower house, can be inferred from the inclinations that the legislators expressed during negotiations with the Economy Ministry's secretary of legal and technical coordination, Horacio Liendo, and with the head of the BCRA, Roque Fernandez.

Deputy Miguel Balestrini, the chairman of the Finance Committee and the main negotiator with the members of the economic team, disclosed to EL CRONISTA that "private insurance will be limited to 75 percent of the deposits that a saver has in a liquidated institution."

The lawmaker explained that it would be "burdensome, because to establish the fund the banks will have to contribute a percentage of interest paid at a rate that will be progressive in accordance with the risk assumed. This means that the greater the risk, the higher the rate."

The tax will have one special feature in that it will not be applied to the total of interest paid. "The contribution that the banks will have to make," Balestrini indicated, "will be on the difference between the average international rate, which is around eight to 10 percent a year, and the rate actually paid on deposits."

This turns savers into the true mainstays of the new guarantee system that will be set up with a portion of the interest they receive. The only savers who would be exempt from the contribution would be the ones who negotiate rates similar to those on the world market with their banks.

The big question that neither lawmakers nor members of the economic team have answered yet is whether there will be startup capital so that the system can begin operating.

In Balestrini's view, "The BCRA could order part of the private Trust Fund earmarked for this purpose, but this has not been decided yet. All indications seem to be that this could happen, inasmuch as the letter of intent submitted to the Monetary Fund indicated that the fund was going to be earmarked to guarantee deposits."

Enrique Olivera, the Radical Civic Union legislator who sponsored a private insurance proposal when the BCRA charter was being drawn up in 1992, said that the Peronist initiative "is merely declarative, inasmuch as it leaves everything up to Central Bank regulation."

Moreover, he criticized it for not specifying what is going to happen with "the deposits of the financial institutions or the directors of finance companies, nor does it spell out the criteria to be applied in setting the premiums."

Questions Raised About Bank-Deposit Guarantee

95SM0276A (Internet) Argentina Gopher in Spanish 4 Apr 95

[Commentary by Walter Graziano: "This System Does Not Function as Insurance"; from EL CRONISTA COMERCIAL News Summary 4 Apr]

[FBIS Translated Text] The announcements about bank-deposit guarantees introduce a truly curious element into Argentine finances: the guarantee was announced before it was known who the "guarantor" would be. Since under current circumstances it was going to be practically impossible to find a domestic or international insurance company that would be willing to guarantee deposits in a country that is experiencing none other than a run on its banks, it was clear in advance that an onerous deposit insurance, as was initially planned, would be truly counterproductive. The risk premium would be so high that it would exceed the nominal interest earned, and as a result putting money into a bank would become a sure way for savers to lose money.

For this very reason, the idea of insurance has not been applied, as it was expected to be less than a week ago. Rather, what is being tried now is a sort of imitation of the initial bank safety net that all the banks were supposed to establish by contributing two percent of their deposits over a 90-day term, a few days after which the Bank of the Nation would return these funds to the banks. So, what is the problem with this? The Bank of the Nation can hardly return this two percent of deposits because, as could be foreseen, it did not have enough time to securitize and sell on the market the loan portfolios that it had purchased from the troubled institutions, as had initially been planned.

Nevertheless, the banks are now being asked to place two percent of their deposits as of February into a cooperative-style guarantee fund. It is not yet clear (because there has been no final decision on the matter) whether this two percent is supposed to be added to the previous two percent of the safety net, but all indications are that it is, because the administration wants fresh funds to set up the bank guarantee.

It is clear, then, that the official policy toward the financial system is still to rescue the banks that are in trouble with funds from those who have deposited their money in sound institutions. This seems to be an effective way of causing problems for all banks in the fund, because part of their deposits will either be invested in illiquid or insolvent banks (through the safety net) or else go to guarantee deposits in those same banks.

Therefore, the official policy is to socialize the private losses of the troubled banks. This could well be logical and even understandable given how dangerous it could be for the entire economy to see a further decline in deposits in the financial system and the resulting increased risk of insolvency among many banks. In contrast, what does not seem that logical is that the administration should seek to rescue all of the troubled banks without distinction.

As things now stand, this deposit "guarantee" can work only as long as there is no renewed capital flight from most of the institutions in the system, as happened in February and March, and above all, as long as it does not have to be used in any way. Why? Because in the event that a bank has to be liquidated and the guaranteed deposits returned to their owners, there will be doubts as to whence the funds will come. Since the guarantee is ultimately based on the deposits in the other banks, would the guarantees that have to be used be discounted from the deposits in the rest of the system?

If the answer to this question is no, then there are only two possible candidates to finance the potential costs: the banks or the Central Bank. The former have already been so harshly punished with asset losses that it is highly unlikely that they can finance the actual payment of the insurance. Thus, the Central Bank becomes the only imaginable candidate for covering potential losses. For this very reason, the system does not function as insurance, because there is neither a risk premium nor an insurer. And although this guarantee may be called private and attempts may be made to make it so, the state alone is ultimately responsible, unless the funds that will have to be drawn on are discounted from the accounts of the depositors in the other banks.

Consumer Price Decline Points to Deflation

95SM0276B (Internet) Argentina Gopher in Spanish 3 Apr 95

[Commentary by Carlos Abalo: "The Drop in Prices Has Come at the Right Time"; from EL CRONISTA COMERCIAL News Summary 3 Apr]

[FBIS Translated Text] It has been officially announced that consumer prices declined by 0.4 percent in March. This drop, the first since 1974, points to a deflationary trend that will help the convertibility plan by offsetting or dampening the inflationary impact of the hike in the VAT [value-added tax]. This could, of course, be seen the other way around, if the higher VAT were to halt the deflation that Cavallo has long awaited.

The danger of possible inflationary repercussions arose as soon as the three point increase in the VAT and the widening of its base of application as of 1 April were announced. Nevertheless, such repercussions could be cut short by market conditions, in other words, structural changes in intermediation, the prior recessionary trend, and the adjustment policy, which by boosting the VAT to an all-time high, reinforces the recessionary impact of lower potential consumption. The increase in the VAT under these conditions also has a dampening effect on the public's outlays, because a larger percentage of incomes will be going into government coffers.

The trend in prices and the conditions under which demand evolved in the first two months of the year foreshadowed a potential, delayed deflation in consumer prices, which should help relieve pressure on the convertibility plan by allowing a decline in those prices that have exceeded world levels. Even so, we cannot expect deflation to occur precisely in the prices that are most out of step, the prices of services, which are protected from international competition.

The downward pressure was initially prompted by the almost saturated borrowing capacity of consumers. The financial crisis, which increased illiquidity and tightened credit, heightened such pressure, but the adjustment to shore up the convertibility system will have the opposite effect. There will be an inflationary impact, offset by an immediate drop in consumption and the structural change in the marketing chain, which will force prices to be cut and costs to be absorbed, to which we can add the dampening effect of higher taxes on liquidity. Therefore, the fall in the consumer price index in March will not necessarily continue, inasmuch as the increase in the VAT went into effect on 1 April.

Deposit-Guarantee Waste Concerns Bankers

95SM0276D (Internet) Argentina Gopher in Spanish 5 Apr 95

[Commentary by Pablo Wende: "Bankers Do Not Want Aid Wasted"; from EL CRONISTA COMERCIAL News Summary 5 Apr]

[FBIS Translated Text] Although it has been clarified that the new deposit-guarantee system, which the bank chambers are hastily discussing with the Central Bank, will function independently of the Trust Fund that will sustain the bank safety net, the fact is that consultations have already begun between officials and bankers on spelling out the functions of each of these instruments.

The main concern of the bankers, who purchased the Argentina Bond to establish the Trust Fund, and who also furnished funds for the guarantee system, is that "the dollars not be wasted" in two different ways. Accordingly, they fear that the Trust Fund will use funds to put a bank on a sound footing but the bank will end up failing a short while later anyhow, thus necessitating recourse to the guarantee as well.

It has also been decided that when the guarantee goes into effect, it will cover all banks in the system, regardless of their size or how poor their condition is at the time.

In contrast, the Trust Fund, which the secretary of finance, banks, and insurance, Roque Maccarone, will run, will have a more restricted scope. The bankers who chipped in to establish it are pressing to have the dollars used only to set straight or revamp institutions that have a good chance of recovering, but to allow the more troubled banks to fail, as a result of which savers will have to cover the guarantees. Obviously, mid-sized or large institutions would not be allowed to fail, because that would have a heavy impact on the rest of the system, but small banks (some regional ones, for example) or wholesale banks would be allowed to fail, as their relative place in the system is insignificant.

Fiscal Crunch in 1995 Viewed

95SM0278A (Internet) Argentina Gopher in Spanish 6 Apr 95

[Commentary by Walter Graziano: "The Accounts Balance, But There Is Nothing Left"; from EL CRONISTA COMERCIAL News Summary 6 Apr]

[FBIS Translated Text] Now that the tax revenue numbers for March are out, there will inevitably be speculation about the real chances of posting a budget surplus so that accounts balance this year. As we will recall, in mid-March, when the most recent adjustment to the economic plan was announced, Minister Cavallo promised a primary surplus of 6.135 billion pesos this year; after an interest payment of $4.135 billion, the budget would be in surplus by around 2 billion pesos. Included in the calculations to reach this figure are privatizations worth $2.4 billion, which would mean that the total surplus without capital inflows would stand at some $2 billion (4.4 billion pesos in all).

Now then, in order to make good on these projections, Cavallo estimated that tax and social security revenues in 1995 would rise by fully 17.8 percent, which in nominal terms means 5 billion pesos more revenues in 1995 than in 1994.

The March numbers are important in this regard because they balance the first quarter accounts. Total revenues in this period hit 10.711 billion pesos. It bears clarifying here that during the first quarter of 1994, 11.255 billion pesos in revenues were collected. This means that revenues were down by a bit more than 500 million pesos from quarter to quarter and year to year.

What does this mean then? Simply that to achieve the current goals revenue collections during the remainder of the year must increase by 5.5 billion pesos over the last three quarters of 1994. At this juncture the reader may wonder what the likelihood of reaching this figure is. Well then, according to CARTA ECONOMICA, during the last three quarters of 1994 revenues of 33.345 billion pesos were collected. To hit the targets set in March, then, almost 39 billion pesos in revenues would have to be collected during the nine remaining months of the year, in other words, an average of some 4.3 billion a month. And what does this imply? Nothing more and nothing less than boosting revenues 27 percent in April with respect to March and holding that level for the entire year in spite of the expected economic slowdown.

We could say, then, without fear of error that the fiscal promises Minister Cavallo made in mid-March have become highly unrealistic only two weeks later.

And we can say this even if we assume that the state can earn $2.4 billion from privatizations, a figure that also seems too high in light of the value of the assets that the state is now promising to sell off, which are variously estimated to be worth some $1.5 billion.

What conclusions can we draw, then? Several. Let us consider them:

a) If we assume that revenue performance will improve after the enhancements in tax oversight, Cavallo could, with luck, boost overall tax receipts by some 2.5 billion pesos over the 1994 level in the best of cases, and as long as the economy does now cool off too much.

b) On the basis of the above number and also given the generous assumption that public spending will not increase one cent over the present budget, there could be a primary surplus (before interest payments on the public debt) of around 2.8 billion pesos instead of the 6.135 billion promised.

c) If we subtract the $4.135 billion in interest payments, there will be a deficit of 1.335 billion pesos, which could be financed entirely with the $1.5 billion from the privatizations expected in 1995, thus leaving a small surplus of 150 million, not the impossible 4.4 billion pesos that the minister is hoping for.

d) The 1995 accounts would balance, then, in similar fashion to the 1994 accounts. This year the total surplus will presumably be 150 million pesos, whereas the total deficit in 1994 was 93 million pesos. From this latter figure we can gather that if we look realistically at the revenue numbers and even if we assume that public spending remains under iron-handed control, the budget accounts may balance, but the state will have no financial capacity whatsoever to help the banking system, nor will it have enough genuine funds to repay a substantial amount of the public debt. This latter point means that Cavallo cannot afford today to spend the foreign exchange that he is receiving from international agencies to assist troubled financial institutions; to do that he would have to further increase taxes or further reduce spending.

Economic Scenarios Discussed

95SM0278B (Internet) Argentina Gopher in Spanish 6 Apr 95

[Commentary by Daniel Naszewski: "The Economy Will Grow Only 1 Percent, at Best, in 1995"; from EL CRONISTA COMERCIAL News Summary 6 Apr]

[FBIS Translated Text] If Argentina overcomes the crisis of confidence in the next few weeks, 1995 could end with GDP [gross domestic product] growth of just one percent, industrial output up 1.2 percent, a mild decline in interest rates, and lending capacity that, in the best of cases, would recover and close 9.5 percent higher for the year as a whole. This is the most optimistic scenario that consultant Miguel Angel Broda outlined yesterday at his monthly meeting with his clients. There was another scenario, however, a less optimistic one, which would come to pass in the event that the crisis of confidence deepened once again. In that case, Broda's projections are for zero growth in the GDP and a drop of probably one percent on average in industrial production for the entire year, the range being -0.5 to -2.0 percent.

Even so, Broda has corrected himself. A month ago he said that Domingo Cavallo needed "a cannon to kill a bird." Yesterday, though, he admitted that the animal represented by this crisis was a whale, not a bird. Seated next to him, Ricardo Lopez Murphy nodded, his face clearly reflecting the seriousness of the banking (and treasury) crisis over these past few months. This is why Broda seemed to lean clearly toward the optimistic scenario. He felt that Cavallo and his team had finally, around 10 March, realized the seriousness of the crisis and were taking decisive action in the proper direction. Thus, he reaffirmed his impression that the chances of a devaluation in 1995 are no more than 15 percent. His fundamental concern, in any event, has to do with two issues that are unrelated to the banking crisis, which has stabilized today, though with a harsh reconversion still pending. One of them is the course of events in Brazil, which is crucial to Argentina, both because of our need to export more, and because of the danger that our neighbor could follow in Mexico's footsteps, which would be very hard to endure under current circumstances. Specifically, Broda asserted that Brazil has already unpegged its exchange rate, mentioning predictions about a return of inflation and a survey among nine economists who are forecasting an exchange rate of between 1.052 and 1.9 reals to the dollar by the end of the year. If this comes to pass, Argentina's export-based solution will have a new weak flank. The second weak flank is the ambitious fiscal targets proposed by the IMF in the latest economic package. The consultant feels that it falls some 3 billion pesos short; we can thus expect a further adjustment after 14 May.

Qualified Optimism on Economy

95SM0276C (Internet) Argentina Gopher in Spanish 3 Apr 95

[Commentary by Daniel Naszewski: "Fiscal Targets Can Be Hit Only If Recession Does Not Deepen"; from EL CRONISTA COMERCIAL News Summary 3 Apr]

[FBIS Translated Text] The stock market was up almost 20 percent last month; government bonds are recovering; there was confirmation that the overall withdrawal of deposits from banks halted during the last week of the month, and there was even a slight increase in deposits in savings associations and checking accounts. These are the developments that explain the hopes that the financial crisis is coming to an end. The reason for this change in outlook is well known: the fierce offensive that Domingo Cavallo launched over the past 30 days to attack both the fiscal problem and the bank run with every weapon he had at hand. And although no one should become euphoric, because the impact of this crisis on the real economy will not be readily overcome, it can at least be asserted that the worst is over. Roberto Alemann has said so. Lopez Murphy has said so. And even the suddenly famous Guillermo Calvo said so a few days ago, enthusiastic that a decision had been made to pursue the economic policy vigorously instead of devaluing. The fact is that what happened in Mexico afforded the best protection against the disease.

Miguel Angel Broda was very graphic: from intensive care to intermediate care was the title of the economic column in his monthly publication. In it he slipped in some striking remarks: "Even today, in the midst of an unprecedented crisis, we are in a position to say that the likelihood of a devaluation in 1995 is less than 15 percent." And he added: "It is a dramatic and unprecedented move for the administration, 60 days before the elections, to decide to intensify the model, instead of easing its economic policy, through an obviously very harsh adjustment." Tired of demagoguery and magical promises, Argentines seem today to prefer paying the price of a clearly spelled out, albeit harsh, adjustment rather than undergo one of those devaluations that have implicitly lowered wages, caused a deep recession, and even so failed to reduce inflation. That was stagflation, whereas the hope today is that this approach will bring on a severe, albeit perhaps short, recession. The March revenue numbers will be made public today, in fact, and no one should be surprised if they are poor. The projections are for a decline of perhaps more than five percent, although they should be viewed in a context of recessionary shock treatment during a month marked by illiquidity, with shrinking credit, reduced bank overdrafts, and an obvious decline in sales. The evasion and postponement of tax payments also explain what happened in this unusual month.

The question is whether these figures will be indicative of what will happen in the rest of 1995. The answer could provide reason for optimism if it is confirmed that the run on banks is over and that deposits are again growing, even if very slowly. In that case, the chain of payments will be reestablished; lending will soon recommence, and consumption will recover, though not to previous levels. If all this happens, then the optimistic revenue numbers that the economic officials set for themselves in the targets that they submitted to the IMF will be attainable.

CGT Leader Backs Government, Menem Reelection

PY0704181195 Buenos Aires TELAM in Spanish 0000 GMT 7 Apr 95

[FBIS Translated Text] Buenos Aires, 6 Apr (TELAM)—Antonio Cassia, General Confederation of Labor (CGT) secretary general, today confirmed his support for the government and for President Carlos Menem's reelection.

The CGT secretary general told TELAM that he would "in no way" become "estranged from the government," confirming his decision to "work for and support the reelection of President Carlos Menem on 14 May."

Cassia therefore refuted the remarks made by dissident trade union leader Juan Manuel Palacios, who yesterday did not rule out the possibility of returning to the CGT leadership, but under the condition that the CGT "will exclusively champion the rights of the workers, with total independence from the government and the political parties."

Cassia admitted "having some disagreements with the government over some unfulfilled promises, but this does not mean that I will grudgingly support the government's actions or the president's reelection."

Cassia emphasized: "I will in no way conceal my personal decision to support President Menem, as I have been saying so far; to not do so would be tantamount to being disloyal, and I have made a cult of loyalty."

Cassia indicated: "The only way to solve problems is to hold talks with the administration, firmly explaining the problems."

Cassia emphasized: "The only administration that is capable of solving the problems, whether they be unemployment or regional economic problems, now or after 14 May, is the administration headed by Carlos Menem."

Leftist Presidential Candidate Criticizes Economic Program

PY0804011195 Buenos Aires NOTICIAS ARGENTINAS in Spanish 0111 GMT 7 Apr 95

[FBIS Translated Text] Buenos Aires, 6 Apr (NA)—Luis Zamora, the Socialist Workers Movement (MST) presidential candidate, today criticized the presidential candidates of the bigger parties because "they quibble over the accuracy of the polls" while the government's economic program "condemns millions of Argentines to unemployment and misery."

Zamora asked trade union leaders "who describe themselves as opponents" of the current economic model to call "a general strike and a second federal march to defeat the economic program" sponsored by the Menem Administration.

He urged the Argentine Workers Movement (MTA) and the Argentine Workers Congress (CTA) to implement "the measures required" to express opposition to the current economic model.

Zamora stated: "President Carlos Menem receives unconditional support from [former] (U.S. President) George Bush and Henry Kissinger, while [Radical Civic Union—UCR] presidential candidate (Horacio) Massaccesi, [Front for a Country in Solidarity—FrePaSo] presidential candidate (Jose) Bordon, and [UCR leader] (Raul) Alfonsin quibble over the accuracy of polls. Meanwhile the conflicts against the economic program are growing."

Humberto Tumini, the Front for Resistance [Frente de la Resistencia] presidential candidate, called for a challenge to the current "nation that is suited to rich and corrupt people."

Introducing the Front for Resistance's platform highlights, Tumini said: "The people are withstanding misery and Menem's capitulation." Tumini was accompanied by his running mate, Jorge Reyna.

Tumini criticized the FrePaSo ticket, comprising Jose Bordon and Carlos "Chacho" Alvarez, because "it merely states, without much conviction, that it will be a little more careful than the Menem administration."

Airline 'Authorized' To Fly to South Atlantic Islands

PY0704224695 Buenos Aires TELAM in Spanish 1818 GMT 7 Apr 95

[FBIS Translated Text] Buenos Aires, 6 Apr (TELAM-SEM)—The Economy Ministry today issued a 15 year permit to Valls Airlines [Valls Lineas Aereas], authorizing them to provide regular domestic and international flights to southern Argentina and to Chile.

This new civil aviation operator will revitalize air transport in Patagonia and help to develop tourism, which is considered of utmost importance for the region.

The preamble of Resolution 459/95—which is published today in the BOLETIN OFICIAL—points out that this service "seeks to meet the demands of tourists in the area."

Vall Airlines seeks to expand in the region by attracting passengers who generally use other means of transport, offering more competitive rates than its competitors.

The company will begin operating within 180 days with large De Havilland DC-7 planes, or ones with a similar or smaller capacity.

The first authorized route is Rio Grande-Ushuaia, in Tierra del Fuego Province, Antarctica, the South Atlantic islands, and back again. [sentence as received]

The second authorized route encompasses Rio Grande, Rio Gallegos, Comodoro Rivadavia, Trelew, Esquel, and San Carlos de Bariloche.

A third route will link Rio Grande, Punta Arenas (Chile) and Rio Gallegos. A fourth route will link San Carlos de Bariloche with Puerto Montt (Chile).

Bolivia

Justiniano: U.S. Ultimatum 'Serious and Unilateral'

PY1104193095 La Paz PRESENCIA in Spanish 5 Apr 95 p 7

[FBIS Translated Text] Giving his report to the Bolivian Congress, Presidency Minister Guillermo Justiniano termed the U.S. ultimatum to Bolivia "serious and unilateral."

He explained that the document U.S. Ambassador Curtis Kamman gave to President Gonzalo Sanchez de Lozada on 2 March, revealing the warning concerning decertification, is not a product of negotiations or analysis between the two countries, and does not admit any negotiation or discussion whatsoever.

He added that although it is not an official document, it expresses the position of President Bill Clinton and his administration.

That document outlines three basic points, the first of which states that Bolivia and the United States must sign an extradition treaty of mutual agreement.

The second point proposes the implementation of a broad plan of mutual acceptance for the eradication of illegal coca crops that might include short-, medium-, and long-term plans.

Justiniano explained that according to Law 1008, all those coca crops in unauthorized zones and the new plantations in areas considered transitional are viewed as illegal.

That aspect generates a "tremendous and dangerous" problem for the country, taking into accout the figures regarding illegal crops, which are still under discussion.

According to Justiniano, the third point refers to the fact that Bolivia must eradicate 1,750 hectares in the Chapare region by 30 June, a goal that can be attained. The problem, however, concerns looking toward the future.

He said that if Bolivia does not fulfill the U.S. ultimatum by 30 June, the United States will treat the country as if it were denied certification.

He added that due to the change in position on the part of the opposition to the U.S. Administration, the eradication process has reached a critical point that "forces us to react in a united manner as a country."

Minister Justiniano said that the possible non certification of Bolivia as of 30 June, and not as of 1 March 1996, would imply the suspension of all types of U.S. aid to Bolivia except that intended for humanitarian purposes.

But the most serious thing is that the United States can proceed from this aid suspension to the point of exerting its influence on international cooperation organizations such as the Inter-American Development Bank (IDB), the World Bank (WB), the IMF, and the Paris Club.

He explained that in the case of the IDB, if Bolivia, as a poor country, wants to have access to credits from the International Cooperation Fund, it will require 75 percent of the votes. The United States has 30.8 percent of the votes, and for this reason it has veto power.

This situation will probably affect future credits that must be managed by the next government administration.

In the case of the WB, the United States has 17 percent of the votes, but the main executive posts are in U.S. hands.

The Paris Club acts in accordance with a consensus on the foreign debt payment; however, if there is no consensus, the veto is implemented.

As an example of this situation, the achievements obtained by the country with regard to reducing its debt by two-thirds are pending ratification by October or November 1996.

Following Minister Justiniano's report to Congress, a secret session was declared so that Foreign Minister Antonio Aranibar could explain the terms of the "draft copy" of the new Extradition Treaty between Bolivia and the United States, which was submitted by Bolivia to the U.S. Administration on 30 January.

MNR Leader: Ties With U.S. 'Complex Issue'

PY1204002295 La Paz PRESENCIA in Spanish 5 Apr 95 p 7

[FBIS Translated Text] Guillermo Bedregal, first vice chairman of the MNR [Nationalist Revolutionary Movement], asserted that the subject of "bilateral relations with the United States is a delicate and complex issue." He therefore urged the public to form a common front.

He said: "The issue cannot be concealed, as it refers to our relationship with the first power of the world, though our relationship with that country has always been very good."

The MNR leader voiced his concern, however, over the fact that a certain amount of diplomatic unrest has surfaced, which prompts not only the government but also the entire Bolivian democracy to form a common front.

He said that "this Bolivian common front should be formed without boasting or begging, but rather to form an objective assessment of what the country really wants."

The United States is allegedly exerting pressure regarding the signing of an extradition treaty that is currently being discussed in Bolivia.

Other much discussed issues are the warnings with regard to Bolivian drug enforcement policy by the U.S. assistant secretary of state for international narcotics matters, Robert Gelbard, and Congressman Dan Burton.

Bedregal also referred to the Popular Participation Plan, saying that it represents a true administrative decentralization strategy that will make it possible to turn a representative democracy into a strictly participative one.

He then added that this measure, together with the Education Reform and the Capitalization Program, are similar to those proposed by Victor Paz Estenssoro in 1952.

Bedregal said: "No Latin American country, and I am not criticizing anyone, has made such a decision as that made by the Bolivian Government, through which resources are transferred for administration by the municipal districts themselves."

The MNR leader emphasized that with the Popular Participation Plan a strategic and vital step is being taken to overcome, from the conceptual and operative viewpoint, what the contradiction between the rural and urban areas basically represents.

He added: "We are going to tackle unemployment from that perspective, and this party, which has been elected by the people to assume and execute the political project and program, has the duty to be the driving force of the national transformation process."

Brazil

Fraud Allegations Could Delay Sivam Contract Signing

PY1204003295 Sao Paulo AGENCIA ESTADO in Portuguese 2138 GMT 11 Apr 95

[Report by Mara Bergamaschi and Tania Monteiro]

[FBIS Translated Text] Brasilia, 11 Apr (AE)—The ESCA (Automation and Control Systems Engineering) company, which was chosen by the government to administer the Amazon Region Surveillance System (Sivam), is on the list of companies that have not paid contributions to the social security system. Early this evening the Social Security Ministry confirmed this charge, which was raised by Deputy Arlindo Chinaglia (PT-SP) [Workers Party-Sao Paulo]. This fact could delay the signing of the contract to install Sivam, which is scheduled for next week.

Chinaglia has documents proving that the Sao Paulo INSS [National Social Security Institute] filed charges against ESCA in December 1994, when inspectors discovered that the figures registered in more than 100 contribution documents had not been deposited in the social security account. In an official document the ministry reports that the forged documents are part of an administrative investigation opened by the INSS before the courts.

"The documents were confiscated, the INSS confirmed that the deposits were not made, and it opened an administrative investigation against ESCA, as described in code 25, which means fraud," said Chinaglia. The charges disturbed the atmosphere at Planalto Palace and on the Ministries Esplanade this afternoon. President Fernando Henrique Cardoso had intended to sign the Sivam contract next week, before traveling to the United States. The international company chosen to install Sivam for $1.4 billion, together with ESCA, is the U.S. company Raytheon, which is accused of having paid bribes to Brazilian Government officials to win the contract.

Sardenberg

Informed this afternoon on the subject, Strategic Affairs Secretary Ronaldo Sardenberg phoned ESCA, which confirmed to him that it owes contributions to the INSS. Sardenberg, however, described ESCA's situation as a "normal problem." ESCA denied the charges of fraud. Soon afterwards Sardenberg gave a news conference at Planalto Palace during which he admitted that the signing of the Sivam contract will be postponed "if the charges are founded."

According to current law, the government can only contract companies that do not have labor or fiscal debts. "There is evidence that ESCA has used forged contribution documents to obtain a Negative Debt Certificate (CND), without which it could not have been chosen by the Strategic Affairs Secretariat," said Chinaglia. Besides denouncing the irregular aspects of the Sivam contract on the lower house podium, Chinaglia today sent the Federal Supreme Court a class action suit holding the Itamar Franco administration responsible for the irregular procedures.

The current aeronautics and social security ministers and the strategic affairs secretary were also held responsible. Chinaglia demands the immediate suspension of the Sivam project. "How can the government give an inappropriate company, which has committed fraud in its accounts, the responsibility of safeguarding national security information?" he asked. Besides Chinaglia, Deputy Fernando Gabeira (PV-RJ) [Green Party-Rio de Janeiro] today met with President Cardoso to ask him to review the Sivam contract over the next 60 days. The president, who will travel to the United States on 17 April, promised to study the case.

Cardoso: Charges Against Sivam Contractor 'Unimportant'

PY1204004995 Sao Paulo AGENCIA ESTADO in Portuguese 2249 GMT 11 Apr 95

[FBIS Translated Text] Brasilia, 11 Apr (AE)—Despite the fact that the Social Security Ministry has confirmed the existence of a fraud investigation against the ESCA [Automation and Control Systems Engineering] company, which is the national company chosen to administer Sivam [Amazon Region Surveillance System], President Fernando Henrique Cardoso today told Deputy Fernando Gabeira (PV-RJ) [Green Party-Rio de Janeiro] that the charges are "inconsistent." According to Gabeira, the president demonstrated that he is willing to sign the $1.4 billion contract to guarantee the implementation of the sophisticated radar system in the Amazon region.

"The president described the charges, even those concerning the social security system, as inconsistent, and said that the charges were unimportant," Gabeira said. "Now all we have to do is to prove the irregular procedures, and make him repent," he added. Deputy Gabeira went to see President Cardoso wearing sandals and riding his bicycle.

Infers Betrayal Behind Veto Override

PY1104215095 Sao Paulo FOLHA DE SAO PAULO in Portuguese 8 Apr 95 p 7

[Article by Josias de Souza]

[FBIS Translated Text] In making an analysis with his closest aides, President Fernando Henrique Cardoso concluded that the two reasons that led his administration to be defeated by the ruralist bloc in Congress were the incompetence of the government leaders in the lower house and in the Senate, and the betrayal of his alleged allies.

The conclusions of Planalto Palace are based on evidence. The first: A simple action by one of the leaders could have prevented the voting session.

The second: With 140 members at the most, the ruralist bloc alone does not have enough strength to impose its will. It benefited from the treason committed by congressmen through a secret vote.

One of the allies who was most criticized by Planalto Palace is Deputy Jose Anibal (SP) [Sao Paulo], the leader of the PSDB [Brazilian Social Democracy Party] in the Chamber of Deputies. Cardoso learned of the bad news by phone on the morning of 6 April.

"Mr. President, something very serious has happened here," said the government leader in Congress, Deputy Germano Rigotto (PMDB-RS) [Brazilian Democratic Movement Party-Rio Grande do Sul].

Cardoso, who was in his office in Planalto Palace as he phoned Rigotto, did not expect to hear such a serious statement.

President Cardoso has not had such an intense week of contacts with congressmen since his inauguration in January. He attended two dinners and one luncheon with congressmen.

He agreed to host a soccer match between executive and legislative branch "players" on 9 April in the Granja do Torto residence.

"What happened?" Cardoso asked Rigotto. He then learned that on the previous evening Congress had eliminated the TR (Reference Interest Rate) for farming loans.

The ruralist bloc had overridden a presidential veto that he himself had recommended to then President Itamar Franco when he was finance minister.

Cardoso reacted with horror: "How could this have happened?"

Simple. The PSDB leader in the lower house, Deputy Jose Anibal, dutifully played his role as he presented before the lower house leadership a petition to postpone the voting on a veto by President Itamar Franco.

Anibal presented his petition to the board, however, under the pressure of ruralist bloc deputies he withdrew his petition, thus allowing the voting session to proceed normally.

Rigotto was not present in the plenary hall. He had agreed with Anibal beforehand on the strategy, and was calmly working on something else in his office. Warned of the unexpected retreat of Anibal, Rigotto ran to the plenary hall.

Rigotto demanded an explanation from Anibal, who said he had yielded to the arguments of the ruralist bloc, which claimed that by vetoing the article eliminating the reference interest rate for agricultural loans, President Itamar Franco had not respected an agreement approved previously by Congress during the previous congressional term.

Considered the guarantor of the agreement, Deputy Luiz Carlos Santos (PMDB-SP), the government leader in the Chamber of Deputies, was also not present in the plenary hall. Rigotto then presented a second petition to withdraw the subject from the congressional voting list. As the voting session had already begun, his petition was rejected.

Behind the scenes, Luis Carlos Santos confirms that by vetoing the article, which has now been revived, Itamar Franco had broken an agreement signed with the ruralist bloc.

Economist Edmar Bacha, who was then Finance Ministry adviser, allegedly participated in the meeting during which the agreement was signed.

Jose Anibal alleges that he asked for the postponement of the voting session without knowing what the subject was about. "Rigotto only asked to postpone the voting of item 22 of the congressional voting agenda for another session. When I asked for its postponement, the ruralist congressmen surrounded me and told me that there was already an agreement about the subject."

Holds Congress Responsible for Override

PY1104221995 Rio de Janeiro O GLOBO in Portuguese 8 Apr 95 p 3

[Article by Yvana Fechine and Leticia Lins]

[FBIS Translated Excerpt] Recife—President Fernando Henrique Cardoso yesterday transferred to Congress responsibility for the negative consequences of their override of the veto of the article eliminating the correction of minimum agricultural prices by the TR [reference interest rate]. President Cardoso refused to acknowledge that the decision by Congress was a political defeat for his administration, saying it was the country that was defeated. The decision by Congress will cause the Bank of Brazil an estimated loss of 10 billion reals.

"What am I going to do with this congressional decision on the agricultural debt? I will not do anything! Congress is sovereign. Congress must resolve this, not me. President Itamar Franco did what he had to. Congress must resolve it," the president insisted, demonstrating irritation over the congressional decision.

During a short speech given at the Campo das Princesas Palace (the government house of Pernambuco State), President Cardoso said that the government will very calmly answer not whenever someone comes to ask him to attend to private interests "under the pretext that it is in the interests of the majority of the people." The president stressed that he will not govern for the minorities.

"The majority of the people are being deceived. The majority of the people do not know about these things. We must explain these issues better, so that the majority of the people realize that they are often being deceived by those who are defending their privileges, concealing them behind the name of the people," the president added, clearly referring to the reactions against the constitutional reforms.

In his speech the president also asked, between the lines, for the support of Pernambuco Governor Miguel Arraes for the constitutional reforms. Although he was Cardoso's political opponent during the election campaign, Arraes recently refused to join a front against the constitutional reforms being organized by PT [Workers Party] President Luiz Inacio Lula da Silva. Governor Arraes has already been sought out by Vice President Marco Maciel, who wants to obtain the support of the PSB [Brazilian Socialist Party] bloc. [passage omitted]

Strategic Affairs Secretary Interviewed

PY1204020495 Rio de Janeiro JORNAL DO BRASIL in Portuguese 3 Apr 95 p 4

[Interview with Strategic Affairs Secretary Ronaldo Sardenberg by Regina Zappa; place and date not given]

[FBIS Translated Text] [Zappa] What is strategic for Brazil?

[Sardenberg] The traditional concept of strategy refers to military, defense, and security matters. Today there is a market, industrial, and commercial strategy. The concept has new connotations. In addition to the military aspects, Brazil is concerned about overcoming underdevelopment. Consequently, strategy today is a socioeconomic concept.

[Zappa] And how does that translate into your functions?

[Sardenberg] For us, this concept of strategy entails the obligation to think for the long term, and about matters of impact. Short term action is tactical. The secretariat operates in the interface between the internal and the external, between the civil and the military, between the political and the socioeconomic.

[Zappa] Is education also strategic in Brazil?

[Sardenberg] It is. Also children, women, Indians, blacks, any social issue.

[Zappa] How do you advise the president?

[Sardenberg] I frequently talk with the president, providing ideas, studies. We are creating an undersecretariat for analysis to follow the main issues.

[Zappa] Is the function of the Strategic Affairs Secretariat [SAE] to think about the future of Brazil?

[Sardenberg] Right, without a doubt.

[Zappa] And propose solutions?

[Sardenberg] We are still in the process of implementing the analysis undersecretariat and other organs within the SAE. We will also work with alternative scenarios, proposing public policies.

[Zappa] Is the SAE being totally restructured?

[Sardenberg] Right. We are creating a program with the Strategic Studies Center so that it can operate as a forum for reflection, open to new ideas, to all kinds of people, and to the exchange of ideas. A meeting place.

[Zappa] Is it a factory of ideas?

[Sardenberg] A factory for gathering ideas.

[Zappa] The SAE is undergoing a big transformation. Is there any resistance?

[Sardenberg] I recently delivered a lecture to encourage officials to join this process. There is an ongoing debate with society, sponsored by the Strategic Studies Center, and an ongoing debate within the SAE itself. We must rethink Brazil as we approach the 21st century. For example, we want to promote a dialogue between civilians and the military.

[Zappa] Does the SAE intend to be a big think tank?

[Sardenberg] To begin with, it will be a big ear (laughs).

[Zappa] And then a big mouth?

[Sardenberg] Right. Yet it will first organize itself for listening. We want to sponsor a seminar on Latin American thought this year. Just as economic and political integration movements are born in Latin America, Latin American thought should also be integrated. The biggest Latin American university is in Washington: It is the highly qualified staff of the World Bank and the IDB.

[Zappa] How does the SAE see Brazil in 2020?

[Sardenberg] The president mentioned the idea of a national project in his inaugural speech. We will attempt to work on the idea down to the last details. We will attempt to work on that with the technique of alternative scenarios.

[Zappa] In the next century, those who have information will have power. How does the SAE view this?

[Sardenberg] With globalization we will see a change not only in economic perspectives, but also in strategic perspectives, from the military point of view, along with political, technological, and cultural realignments. Brazil is among the few countries that have a chance of success in the future. In our case everything has yet to be done. This is a historic train, and whoever misses it could wait 50 years for the next one.

[Zappa] How does the SAE intend to harmonize the internal and external?

[Sardenberg] The SAE will attempt to make Brazil speak one language that can be understood by the whole world.

[Zappa] And how will that be done?

[Sardenberg] We can express our thoughts so that they can be understood easily abroad, but without loosing our characteristics and distinctiveness. Brazil has an individuality. It is condemned to having its own profile. It must be understood that we have our own reality, and that it is useless to imitate someone else, because it will not come out right.

[Zappa] You said that the moment is right for Brazil to fit into the international context. Why?

[Sardenberg] We have a borderline of over 15,000 km that is entirely defined. We have agreements with Mercosur [Common Market of the South] and with the Amazon Cooperation Treaty. Our surroundings are very calm. Brazil has a defined territory, which already is an extraordinary advantage. Brazil has conducted a policy within a Latin America that is not hegemonic. This is a large country; we know that it will not disappear, that it cannot be occupied. Brazil has a certain weight. When President Cardoso travels to the United States, he will be a natural partner in the dialogue with President Bill Clinton.

[Zappa] And besides this?

[Sardenberg] We have diversified trade and clients. Everyone in Brazil says with great naturalness that Brazil is a global trader [preceding two words in English]. Brazil is, not was. Brazil was a country that exported primary products according to the cycles. From a semi-colonial behavior it managed to become a global trader. But this does not wear out our potential. Brazil will become a global performer.

[Zappa] How can the short term of an administration be made compatible with the long term perspectives of the SAE?

[Sardenberg] The president's idea is that we help him maintain the course. The government's trend is to mind not only the short term issues but also everyday life. Brazil is used to coexisting with daily crisis. The crisis begins at 0900 in the morning, and by 1700 in the afternoon it must be resolved so that the media can publish the solution. The idea in changing the SAE is precisely to make it help the president of the Republic maintain the course amid all the petitions he receives daily.

[Zappa] And what about the case of Sivam [Amazon Region Surveillance System]?

[Sardenberg] If you put together the Amazon region, radars, satellites, and informatics, obviously there will be speculation. There is a certain concern that we may be buying a black box. This is not the case. It envisages multiple-use equipment. For example, the computers are not especially designed for Sivam. The new issue in this is the program developed to administer the system. This is in the hands of Brazilians. Another concern is our sovereignty. The U.S. company Raytheon supplies the equipment and installation service. The equipment will be installed together with a Brazilian company and with an Aeronautics Ministry team. There was concern that they would obtain information during the installation process while they test the equipment. We are establishing with them that the equipment will not be tested in the Amazon region, therefore the information obtained will not be about the Amazon region. As for the bribery charges, they were never founded. It must be made clear that this is a data collecting project. It does not envisage fighter jets downing drug trafficking airplanes. It will report on the presence of airplanes linked with drug trafficking. It is a detection project.

Government Information Network Flaws Noted

PY1204032095 Sao Paulo GAZETA MERCANTIL in Portuguese 3 Apr 95 Special Section p 13

[Article by Eliane Cantanhede in Brasilia]

[FBIS Translated Text] Anyone imagining that President Fernando Henrique Cardoso is surrounded by an information network ranging from agents like 007 to automated, updated data banks is deceiving himself. It is nothing like that. In practice, the most widespread information systems used at Planalto Palace are newspaper clippings, word of mouth, telephone calls from friends outside government, and a whole empirical system of disseminatiing what is often conflicting information.

Eduardo Jorge Caldas Pereira, secretary general of the presidency, says: "The information flow is much less organized than any ordinary citizen might imagine. Planalto Palace in general, and the president of the Republic in particular, do not have access to information that would meet the minimum requirements for a decisionmaking process." Caldas Pereira is already taking steps to improve this situation.

Though there may have been stories about the efficiency of the old National Intelligence Service (SNI), there are no tangible traces of this at the federal administrative level. Perhaps those traces could not resist change or the course of time, or it was simply the fantasy of poorly informed civilians who imagined that an octopus with his many tentacles was oppressing society, the government, the private sector, and every one of the millions of Brazilian citizens.

Today the SNI has been turned into intelligence agents who are roaming through Planalto Palace, either subordinated to the Strategic Affairs Secretariat or to the military household staff. Government leaders consider the reports produced by the SNI survivors to be naive or outdated. They are unable to predict future developments.

For instance, on 22 March 10,000 demonstrators from various groups made a great deal of noise against the constitutional reform—which is being promoted by the government—outside Congress and on the Ministries Esplanade. Despite the fact that the Sole Workers Center (CUT) had some time earlier publicly announced the demonstration, that nearly 100 buses were chartered in the various states, and that the demonstration was even being advertised on television, the government intelligence services were unable to predict the size of the demonstration.

Only on 22 March, when the Congress compound had already been taken over by the crowd and filled with slogans against the government, did the agents take action. Yet their action was limited to counting the number of buses and estimating the number of demonstrators. Despite having infiltrated the demonstrators, they were unable to discover what two reporters of FOLHA DE SAO PAULO published in the headlines the next day: The government of the Brasilia Federal District—which is affiliated with the Workers Party, PT—had financed the "visit" to Brasilia by the opponents to the reforms. A Planalto adviser complained: "We only learned about this through the press."

The press is indeed a rich source of information for the president and for his main advisers. Every day from 0600 to 0700 they receive at home the "Printed Media," which consists of newspaper clippings prepared by Radiobras [Brazilian Radio Broadcasting Company], and "Sinopse," which is a summary of the main reports, editorials, and columns of leading newspapers. In addition to all of the government officials having grown accustomed to reading these reports, they also informally discuss them at Planalto Palace.

For instance, press adviser Ana Tavares uses these reports, among others, to outline the president's daily communications strategy. She alerts the president to the most significant and dangerous reports for the government, and has already formulated ways to bring the issue up to date or, by contrast, to eliminate it if this would serve the interests of the government.

International reports are received through two channels. Special adviser Gelson Fonseca makes a qualitative review of international news agency reports. Itamaraty sends directly to the president a summary of foreign reports on Brazil.

Caldas Pereira said: "Itamaraty is the government office that has the best information and dissemination system." He was thus praising Itamaraty's reputation of producing "files," "papers," "reports," and "dossiers." Among cabinet ministers, Science and Technology Minister Jose Israel Vargas is the only one who never enters the president's office without an objective, clear, and very useful summary of the current issues relevant to the meeting.

On his desk President Cardoso also has a computer that is linked to news agencies carrying real time news; that is, transmitting almost instantly the current political, economic, and social news concerning the nation. At a meeting with Deputy Miro Teixeira, a leader of the opposition Democratic Labor Party (PDT), Cardoso was able to use this service to celebrate with Teixeira the best news the government had on that Friday, 17 March: The stock exchanges had climbed 25 points after successive black days.

It was thanks to the empirical communications system functioning within Planalto Palace that Cardoso learned that Miro, who is an opposition deputy but his personal friend, had addressed the plenum and strongly endorsed an understanding among national political forces. Pro-government Deputy Heraclito Fortes (PFL-PI) [Liberal Front Party-Piaui] liked Teixeira's remarks and conveyed them by telephone to a contact in Planalto Palace. Less than half a hour later, a telephone call was received in Miro's office at the Chamber of Deputies inviting Teixeira to have "a cup of coffee" with the president.

Information thus reaches Planalto Palace thanks to a loyal deputy or to a business friend. Planalto Palace does not even have a local area network system of computers. Caldas Pereira and Clovis Carvalho both have computers. Caldas takes his "notebook" everywhere. Carvalho has his 486 PC on his desk. They cannot, however, communicate with each other through their computers. Nor can they communicate with the president, with Ana Tavares, with Strategic Affairs Secretary (SAE) Ronaldo Sardenberg, or with any other top adviser.

When they have something to pass on they do it by telephone, or they have to deliver it personally, even at the cost of wasting precious minutes in waiting rooms before delivering important information. Had there been an automated system, all that could have been done through a simple communication between two terminals.

Planalto's communications with Congress is also implemented through a dedicated—and overworked—adviser: Eduardo Graeff, a former student who has worked with Cardoso since his electoral campaign for the Senate in 1982. Graeff is the head of a team in Congress. It is through Graeff that Cardoso and his main advisers at Planalto Palace receive every day the main issues on the agenda at the Chamber of Deputies and at the Senate, a summary of the main speeches delivered that day, and significant information on the processing of the constitutional reforms and of other bills of interest to the government.

To transmit to the public information about the president and the government's actions, those responsible for the current administrative structure of the executive branch have created a very complex and widely criticized communications system. In addition to Ana Tavares, a longtime friend and adviser who directly oversees President Cardoso's relations with reporters and the media in general, official spokesman Sergio Amaral handles all press "briefings."

Technical instruments for disseminating government actions are supplied by Radiobras, and furthermore, each ministry has a specific communications adviser charged with meeting with reporters, disseminating news of interest to the government, and answering criticism as soon as possible. It is also incumbent upon each ministry to keep a data bank on its respective area.

In addition to improving the automation of information at the federal administration level, the goal is to have Planalto Palace discharge its duty of gleaning all the information it receives. As Sergio Motta said: "Information is a source of power."

Minimum Wage, Pensions To Rise to 100 Reals 'as of May'

PY1104192495 Rio de Janeiro Rede Globo Television in Portuguese 1615 GMT 11 Apr 95

[FBIS Translated Text] Deputies and senators will vote next week on a draft bill that will allocate government resources to pay for an increase to retirement pensions. The new 100 reals [R] minimum wage will also be used as the base for Social Security pensions. This has only been possible after long negotiations between the government and Congress.

The government's main problem was to approve modifications to the social security area while guaranteeing funds to pay for the minimum wage hike and the increase thus granted to retired people and pensioners. Social Security Ministry figures show the required amount totals R1.5 billion. Congressmen and government representatives managed to reach agreement on the following topics:

- The R17.10 maternity bonus remains the same.

- Those earning up to three minimum wages currently contribute 8 percent of their salary to the Social Security Ministry: This contribution will rise to 9 percent.

- Nothing changes for those who earn more than three minimum wages; the 9 percent and 10 percent rates remain in force.

- In January 1996, contribution by entrepreneurs and autonomous workers will increase. Medical doctors, dentists, and lawyers will contribute 20 percent of their incomes to the Social Security Ministry.

- The minimum wage will increase from R70 to R100 as of May and will also be paid to all 15 million retired people and pensioners. The 42 percent hike represents a real increase of 12 percent, plus compensation for the 30 percent inflation rate registered since the implementation of the Real Plan.

[Sao Paulo AGENCIA ESTADO in Portuguese at 1636 GMT on 11 April adds: "The Workers Party refuses to accept the agreement reached last night between Social Security Minister Reinhold Stephanes and congressmen of the Labor and Social Security Committees over increasing contributions to the Social Security Ministry."]

Chile

Frei Interviewed on Capitalism, Economics, Human Rights

PY1104234395 Buenos Aires CLARIN in Spanish 9 Apr 95 pp 34, 35

["Exclusive" interview with President Eduardo Frei by Alejandro Stilman at "a tourist resort near Punta Arenas, Chile last week"—copyright CLARIN 1995]

[FBIS Translated Text] [Stilman] The current trend definitely indicates a capitalist future for our world. With this prospect, how do you view Latin America?

[Frei] I am convinced that the capitalist system is not appropriate for our countries. Capitalism does not resolve the problem of extremely poor people, nor does the market system by itself. The problem lies in establishing a method to grow in a social market economy that includes the social component. We require an economic system that reconciles development with justice and equity. Societies with 30 percent of the people in an extremely poor condition can rely on a market economy, but taking into account the social factor. We cannot do this under a capitalist system.

[Stilman] While visiting your country the pope warned about "ruthless capitalism." Are you talking about a "civilized capitalism?"

[Frei] No. Capitalism actually extends the poor people's impoverished condition. Our countries, which are not industrialized, but are also not poor countries, have to resolve their leap into development. And this is possible with a social market economy. As the private sector gains increased importance as the great promoter of economic development, the state must become the guarantor of common good through regulations, regulations that are not restrictive but actually promote new opportunities.

[Stilman] The Mexican crisis has shaken Latin America. Do you believe the tequila effect and instability will continue to hit regional economies?

[Frei] I said in Europe that the Latin American economies had implemented their own adjustments. I believe the Mexican problem is a circumstantial problem. In our region, no country wants to close its economy, but actually compete internationally. The Mexican case is different, because their sales to the United States are enormous. We must therefore not view Latin America through the Mexican filter alone, because this is not the reality of Chile, Argentina, or Brazil. It is a different reality, but it is part of an international situation that affects all of us.

[Stilman] The issue of missing persons has recently come to the fore with renewed force in Argentina, whereas in Chile you have "the case of the three slain Communist leaders." Is there a way out for democracies having such deep wounds?

[Frei] I think that the courts must punish those who are responsible for gross violations of human rights, but I also believe that we should move on toward the future. This does not mean that we should turn our backs on history, but we cannot continue to live as if we were in 1973. Chileans have elected me to rule our country from 1994 to the year 2000, and that is precisely what I am doing, by trying to reach a consensus once again through dialogue.

[Stilman] Will Argentines and Chileans eventually settle their border disputes?

[Frei] Surely. Five years ago we had 24 pending controversies. We have already settled 22 of them, and we are about to reach agreement on the remaining two. We are working on that with President Menem. We will find a solution to those issues this very year if possible.

[Stilman] How about power? Do you enjoy power more than you suffer from it?

[Frei] My father was president of Chile. I have already experienced what it is to be in office, and how it feels to leave it. I have always said that I believed that power is impersonal. I am aware that I am only going to stay in office for a given time. I neither suffer for that, nor do I enjoy it. Power is not weighing me down.

Colombia

Peace Commissioner on Contacts With FARC

PA0804170095 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 7 Apr 95

[Telephone interview with Peace Commissioner Carlos Holmes Trujillo, place not given, by Dario Arizmendi and an unidentified reporter from the network studio in Santa Fe de Bogota; from "Caracol's 0600 to 0900" newscast—live]

[FBIS Translated Text] [Arizmendi] Good morning, Holmes Trujillo.

[Holmes Trujillo] It is nice to hear you, Dario.

[Arizmendi] Where does the government agree with the Revolutionary Armed Forces of Colombia [FARC] and where does it not?

[Holmes Trujillo] With the FARC.... [pauses] We agree on the importance of the first meeting, that it must be a direct contact, that it must be at the highest possible level, that it must be in Colombia, that it must be in La Uribe. On what do we disagree? The FARC is asking us to clear the entire area of La Uribe Municipality. The government has told the FARC it is willing to reach a mutual agreement on an adequate area within La Uribe, taking into consideration that the area provides all required conditions and guarantees for the meeting to take place successfully.

In addition, in the FARC's case, there is still a question that has yet to be answered. It is about an issue that becomes more important each day. There has been no response to the president's proposal on the application of the II Protocol of the Geneva Convention and about their willingness to agree on a neutral, independent, and experienced verification capable of overseeing the implementation of that proposal to humanize the conflict.

[Arizmendi] Does that point mean there has been some degree of contact with FARC mediators or spokespersons during the last few weeks, pursuant to learning exactly where there is and is not an agreement?

[Holmes Trujillo] No, there has been no contact in recent days with FARC spokespersons, and we have received no other kind of communication. What I am pointing out is the conclusion of all the correspondence and messages we have exchanged, and I believe it is important to advise the nation about the issues on which we agree and those on which we do not and the question that has not yet been answered.

[Arizmendi] What is the date of the last letter or message, or when was the last contact?

[Holmes Trujillo] The FARC has had a letter from the government, which it has not answered, for more than one month.

[Arizmendi] What do you think the silence means after more than one month of not hearing from them on such a fundamental issue?

[Holmes Trujillo] I do not know. I believe it is important for the country to know what the current situation is. The country should know what is the degree of significance the government gives to the (?compliance) with the norms contained in the II Protocol of the Geneva Convention. I am saying this remark, because the recent and frequent events make the agreement much more urgent. Take yesterday's events, for example: the attacks on hamlets, the destruction of public assets, the attacks on the Agrarian Bank, and events involving public property, which affect agricultural and livestock breeding. This is one of the issues the II Protocol of the Geneva Convention broaches.

[Arizmendi] Does this mean the government will not agree to hold the first meeting unless the FARC gives an answer regarding the international verification commission of the II Protocol of the Geneva Convention?

[Holmes Trujillo] No, that is not exactly our position. What I said is: We have agreed on the specific conditions I listed for the meeting itself. We must first define the area that would be cleared and marked off in La Uribe, which offers all the guarantees and other elements needed for the first meeting to take place, so the country can be certain a peace process will be initiated as a result of that meeting. Regarding the second issue, I am calling on the FARC to speak out on the proposal to humanize the conflict. I must note here that the standards of the II Protocol are neither a government tool nor a tool of the guerrilla movements; these standards belong to the people, to the civilian population that has no part in the fighting. They are directed at preventing the people from suffering the consequences of the conflict.

[Arizmendi] Given that La Uribe Municipality covers more than 7,000 km, what alternatives are there to find an agreement with the FARC on a specific area which can provide the guarantees and conditions you have just listed and which can provide for an honest process, both from the viewpoint of the guerrillas and the government?

[Holmes Trujillo] I believe the specific fact that this is such a large municipality makes the government's proposal viable, particularly regarding a mutual agreement delimiting an area within the 7,000 km you mentioned, a point which can provide the guarantees that will ensure a successful meeting. The government is interested in holding a successful meeting, if such a meeting can, in fact, be held so the country can be clear about what may happen thereafter.

[Arizmendi] What is the military's position on the government's decision to carry out this first meeting in La Uribe?

[Holmes Trujillo] They fully back the idea. They have learned about it and have given it their support.

[Reporter] Dr. Holmes Trujillo, is the government setting the condition that the FARC and the ELN must pledge to humanize the conflict and that a verification mechanism must be established? If so, what might that mechanism to verify the humanization of the conflict be?

[Holmes Trujillo] Let's not speak about conditions. The government has stated it is increasingly necessary that a commitment be made to comply with the provisions of the II Protocol of the Geneva Convention. I must repeat that they are neither an instrument of the government nor of the guerrillas; instead, they are an instrument for the civilian noncombatants who are hurt daily by the armed confrontation.

Regarding the verification, the government's political will is such that the president of the Republic has said he is willing to accept the verification of that humanization. We have said, particularly regarding the ELN, which has been addressing this topic for several years but, obviously, without excluding the other guerrilla organizations, that if we agree with the humanization of the conflict, the discussion of the verification, and the reaching of an agreement on such an important issue, then let this be clearly stated, and the government will be ready to take the required steps to achieve that objective, because it is for the good of all the Colombians suffering the consequences of the armed conflict.

[Reporter] Dr. Carlos Holmes, regarding your reference to the FARC, in the insurgent group's proposal to clear the Uribe area, it proposes that this be done in 60 days, while the government insists on 30 days. Would an agreement on this facilitate that first direct meeting?

[Holmes Trujillo] It is clear that the basic thing is that all the security aspects of the meeting must be viewed comprehensively. The important thing is not whether it be 30 or 60 days but, rather, that the meeting have all the security guarantees, that the meeting be held, that it be successful, and that decisions be made at the meeting so the country will know whether it is possible to begin a negotiation process with the guerrillas.

[Arizmendi] What might the agenda of that first meeting be?

[Holmes Trujillo] The government has proposed that the first meeting decide the bases for what the possible negotiations would be; that is, their objective, timetable, agenda, handling of the information, mechanisms for the participation of the civilian sectors, and the mechanisms that are deemed necessary so that if the negotiations are possible, they will be dynamic, fluid and have continuity.

[Reporter] Dr. Holmes Trujillo, prisoner Francisco Galan, who says he acts on behalf of the ELN, has urged the government to begin the talks now. He has said the high commissioner for peace, meaning you, and the government minister should go to the prison where he is being held and begin the negotiations. Would that be possible?

[Holmes Trujillo] First, I believe it is very important that there is already talk about negotiations. That has been the administration's proposal from the start, as President Samper said in his inauguration speech. Second, regarding the ELN, I must reiterate what I said earlier. The essential thing is the following: First, do we agree with sitting down to discuss the humanization of the war so the civilian noncombatant population will not continue suffering? Second, do we agree with the discussion of a neutral, independent, experienced, and capable verification of that proposal? If the answer is in the affirmative, the government is ready and willing to take the necessary steps, because all the daily events make a commitment with the II Protocol of the Geneva Convention even more urgent.

[Arizmendi] Based on the information available to the government, is Francisco Galan acting on behalf of and in full representation of the ELN?

[Holmes Trujillo] The ELN has said he is its spokesman, but I would like to know the following, because the government is willing to take the necessary steps to reach peace, to achieve the objective of humanizing the conflict, and to undertake the verification so the civilian population will not continue suffering. First, I would like to know whether we are ready to negotiate. Second, are we ready to work for the humanization of the conflict? This can be clearly demonstrated by an agreement to verify this humanization. Third, what is the real decisionmaking capacity of Francisco Galan? When the answers to those questions are clear, the government has said from the start it is willing to take the necessary steps, within the legal framework and respecting that legal framework.

[Arizmendi] Would that include you and the government minister going to the prison to speak with Galan when you receive the answer to the previous three questions?

[Holmes Trujillo] We are willing to work for the humanization of the conflict so as to lower its intensity. We are willing to study the verification of that proposal; in other words, we are willing to take the required steps, but we are not willing to promote a political spectacle that has no future.

[Arizmendi] Now, then, do you expect an answer to those questions directly from Manuel Perez and company or from Francisco Galan, who, as you have said, is an authorized spokesman of the leadership of that subversive organization?

[Holmes Trujillo] I believe it would be very important for the country that these answers come from the ELN Central Committee.

[Reporter] We are aware of the fact that the FARC and ELN are holding internal debates on several aspects at this time. They agree so far on humanizing the war. The ELN has criticized the use of drug trafficking as a resource for waging the revolutionary struggle. The FARC has criticized terrorist practices used by the ELN. There are differences between the ELN and the FARC on these two points.

A fourth group has not yet agreed whether it will go together with the two guerrilla groups to the negotiating table or separately. What information does the government have on this internal debate between the FARC and the ELN?

[Holmes Trujillo] I am unaware of the details of that debate, if it is, in fact, taking place, but I must refer to the facts. The contacts we have maintained with the FARC have been with the FARC Secretariat, which has never mentioned the National Guerrilla Coordinating Board [CNG], as opposed to the ELN and the EPL, which always mention the CNG. In this regard, the fundamental thing is to reiterate that the government prefers a process with all groups, but it is prepared, if such conditions do not exist, to begin a process with those who have a real and formal desire for reconciliation.

[Arizmendi] As things appear now, can it be said that relations are better with the FARC than with the ELN and EPL?

[Holmes Trujillo] Regarding a direct meeting at the highest level, there is a better chance with the FARC Secretariat. Regarding the fundamental issue for the country of humanizing the conflict, there are better chances with the ELN and EPL. This point concerns kidnappings, extortions, disappearances, indiscriminate bombardments, what is happening in agriculture production areas, and other fundamental aspects of the country's life.

[Arizmendi] Regarding the EPL, where do you see room for improvement in ties?

[Holmes Trujillo] It has also expressed its desire to join a negotiating process with the government. It has not been possible to advance more with this group, but I believe if the direct meeting with the FARC and the humanization of the conflict with the ELN are expedited, together with the possible negotiation with the ELN, this will respond to the desire expressed by the EPL, which we have described as favorable in light of a possible negotiation.

[Arizmendi] May we infer that there may be several meetings, namely, one directly with the FARC Secretariat, another directly with the ELN Central Committee, and another with the EPL?

[Holmes Trujillo] I repeat, Dario, we would prefer to hold a meeting with all groups, but if conditions do not exist, the government is prepared to begin the process with those who express their formal desire to begin talks.

I must insist on the importance of humanizing the conflict. The ELN has discussed this point, as I said a while ago, for some years now. The FARC has not mentioned this point recently nor has it responded to the proposal made by President Samper in this area.

The fundamental issue today, in light of the sensibility the country has, the country's wishes, and the daily incidents, is for these expressions to become actions to help us advance in the efforts to humanize the conflict. That is the reason why I said a minute ago it is fundamental to know whether we are ready to humanize the conflict. The government is ready to do so, because it has already made its unilateral pledge. We must state whether we are ready to discuss verification. The government is willing to do so. If we obtain positive answers, we should take steps forward, something which is what the country is expecting. In addition, there is no reason to subject noncombatants to the suffering they are enduring.

[Arizmendi] If an understanding is reached with the FARC Secretariat regarding the area for holding that first meeting, how long will it be before that first meeting can be held?

[Holmes Trujillo] It is difficult to speak of a specific timeframe, Dario. In addition, the establishment of a specific timeframe is not convenient for the process and the responsibility with which it must be dealt. The fundamental thing is that the country know of the agreements existing at this time, namely what our points of agreement are. What is the main difference? Basically, the site for holding talks. The government believes it is possible to hold talks in an area of 7,000 km [as heard] by common agreement with the FARC. This has been our proposal: to delimit a zone offering guarantees of security and accessibility for holding the meeting. We may even add further measures to increase security at the meeting, so as to make it possible. This is the government's proposal.

[Arizmendi] If that first meeting is held successfully and if additional negotiation meetings were necessary, would the government prefer to hold such negotiations abroad or in Colombia?

[Holmes Trujillo] We have said we would prefer to hold additional meetings abroad, but the important point to hold such an important process for the country is the criteria used to define that location.

We believe—the president of the Republic has repeated this point many times—the place for holding the meeting must offer guarantees of calm, security, continuity, and communication. With this remark, I mean the fundamental thing is that the very site for holding the possible negotiations facilitate the same and not block it.

Directorate Head on Chemical Precursors Confiscation

PA1204033995 Santa Fe de Bogota Emisoras Caracol Network in Spanish 1200 GMT 11 Apr 95

[Telephone interview with Gabriel de Vega Pinzon, director of Colombia's National Drug Directorate, place not given, by Samuel Salazar at the network studio in Santa Fe de Bogota; from "Caracol's 0600 to 0900" newscast—live]

[FBIS Translated Text] [Salazar] Colombian authorities have dealt a serious blow to the drug traffickers. Large amounts of chemical precursors were confiscated in Valle del Cauca Department. Dr. de Vega, what are the immediate consequences of this blow for our country before the international community? What are the consequences for the production of coca in the country?

[De Vega] Good morning. First, I must say, as you stated, this is the world's most serious blow to the trafficking of chemical substances for the production of drugs. We have figures that indicate the magnitude of the efforts done by Colombia and its fight against drug traffickers.

The international community, including the European countries, the United States, and the Asian countries that produce these substances, confiscate an average of 80, 90, and sometimes 100 tons of these products at the most annually. With this operation against the drug traffickers, we confiscated 3,000 tons. We have exceeded here the amounts confiscated in all previous actions against the organizations in charge of trafficking chemical precursors for the processing of drugs. It demonstrates both the magnitude of this blow and the double standard of the international community in the fight against drug trafficking.

As you can see, it would be much easier to conduct the oversight control measures in the country of origin of these products. Even though it is much more difficult to conduct these operations in the country of destination, we have been able to deal a blow of this kind because of the joint efforts conducted by the various Colombian authorities.

This action helps us demand greater seriousness from the countries that produce and export these products. We need them to exercise serious controls over these products. We see a tendency to bring these products from the countries that used to be located behind the Iron Curtain.

[Salazar] Where did this shipment come from?

[De Vega] Poland.

[Salazar] The Polish authorities have allowed this shipment to leave?

[De Vega] The Polish authorities have allowed it to leave Poland, and they did not conduct the proper verification of the required export-import documents. All the documents concerning this shipment were totally forged.

[Salazar] Was Poland the producing nation or just a country of transit?

[De Vega] It was the producing country.

[Salazar] Are you going to ask the Foreign Ministry to file a protest note because of this uncomfortable situation felt by the Colombian Government?

[De Vega] Colombia has always been very emphatic on this matter. During the recent meeting of the Narcotics Commission held in Vienna, where Colombia was congratulated by the International Drugs Oversight Board because of its chemical control operations, Colombia forcefully demanded greater seriousness in the control of these substances at an international level. We even approved a resolution asking exporting countries to inform importing countries about the manufacturers, specifications, and other necessary information to exercise a better control of these substances. We have done so in a forceful manner.

We have achieved significant progress in certain cases. Certain European countries that did not cooperate in the past are cooperating today in a very important manner, but the evolution of these controls is still at an early stage in former Iron Curtain countries. There is no political commitment to fight drug trafficking either.

[Salazar] We must also note that the precursor chemicals entered the country through a Colombian port, and the presence of these products was detected inside Colombian territory.

[De Vega] Yes. This point demonstrates that Colombia's determination in its fight against drugs is serious and demonstrates how overall operations, including maritime ports, can help detect the illegal entry of these products into Colombian territory. It shows....

[Salazar, interrupting] Excuse me, Dr. De Vega. We want to know what happened at the port. Why did the port allow this product to enter the country? Why did the port not properly control the entry of this product?

[De Vega] The shipment came with documents that were apparently legitimate. The import licenses had been totally forged. They moved the merchandise very quickly. The National Police had been conducting a follow-up operation on this merchandise, because it already had information from the Search Bloc in Valle del Cauca that the drug traffickers were expecting merchandise of this magnitude.

[Salazar] The chemical confiscated by the authorities is sodium carbonate?

[De Vega] Sodium carbonate is the reactive they confiscated.

[Salazar] 3,000 tons?

[De Vega] 3 million kg. A little more than 100 trailer trucks are needed to move this shipment.

[Salazar] They were able to move 13 tons in front of everyone between Buenaventura and Yumbo?

[De Vega] I believe this also requires an investigation by the Prosecutor General's Office, which is very interested in this matter. When this type of substance is imported legally, it enters the country through Barranquilla. There was, undoubtedly, a certain slipup during the verification of the documents.

[Salazar] A slipup, Dr. De Vega?

[De Vega] To say the least.

[Salazar] Was a front company used to import these substances?

[De Vega] This is a warning for serious industrialists and businessmen. Authorities have been investigating a series of front companies, the main job of which is to traffic with these substances. The front companies are forging the licenses of companies that have been authorized by the government to conduct these imports. This phenomenon is a new one in the interior of the country, the reason why businessmen must help prevent unscrupulous people from taking advantage of the permits and licenses that have been issued to them by the foreign trade authorities.

Valdivieso on Influence of Drug Trade

95CA0173A Santa Fe de Bogota EL ESPECTADOR in Spanish 2 Apr 95 pp 5-6A

[Interview with Prosecutor General Alfonso Valdivieso by Fabio Castillo; date and place not given]

[FBIS Translated Text] [Castillo] This interview will be published on Sunday, and it will probably be read over a steaming cup of coffee and freshly squeezed orange juice. Why not start with something positive? For example, what would Colombia be like without drug trafficking?

[Valdivieso] I accept your challenge. To see the extent of the damage that drug trafficking has done to our economy, let us recreate a Colombia that is free of that scourge.

[Castillo] What would exports be like, for example?

[Valdivieso] There would be more exports and more jobs in the export sector, and fewer imports and more jobs in the sectors that produce importable goods, because the floating rate would be lower.

Drug trafficking leads to the so-called "Dutch disease," because it is a temporary infusion of money that drives up the prices of nonfungible goods, which in turn drives up the real value of the currency, thus shrinking the size of the fungible goods sector.

[Castillo] And so ...

[Valdivieso] So when the temporary infusion ends, the "shakeout" comes, and the economy suffers because the basket of goods it produces is out of sync with demand on the domestic and foreign markets.

[Castillo] And what about fiscal policy?

[Valdivieso] That aspect would be much easier to deal with, because the formal sectors pay more taxes than drug trafficking, both the income tax and indirect taxes, as well as foreign trade tariffs. In addition, spending on security and justice could be less than 3.5 percent of the GDP.

The same can be said of monetary policy, because with smaller international reserves, the credit policy could be less restrictive and there could be lower reserve requirements. That means that loans would be cheaper, and spending would earn a higher rate.

[Castillo] Can you put it in simpler terms?

[Valdivieso] We would have greater economic democratization. The low level of compliance with moral standards, laws, and contracts leads to the emergence of economic and financial groups in which "private justice" prevails. Without the tendency toward vertical integration, which is adopted to cut risks, there would be more room for the formation of small- and medium-sized businesses that would compete openly and without legal risks on the market.

It would be cheaper to buy goods such as housing, and at the same time we would benefit from lower production costs, since less would be spent on security. We would have a greater propensity to invest in physical capital and to create businesses and companies.

[Castillo] When we talk about the economy, we forget about people. What other specific things would happen in the medium term?

[Valdivieso] We would have more to invest in education and to expand our human capital. The pseudo-culture of "get rich quick" that comes from drug trafficking makes people think it is not attractive or profitable to go to school or to conduct research, and anyone who does so is cast as a fool, or is not allowed to attain self-fulfillment.

[Castillo] To begin coming down to earth, let us start with the effect on inflation.

[Valdivieso] The battle against inflation is practically unmanageable because of drug trafficking. The nearly heroic measures that have been taken, which are restrictive to the utmost, may not have had any effect, and drug trafficking is to blame. The distortion factor is tremendous, and as a result, no measures—not just unorthodox measures, but no measures at all—are effective in the battle against inflation.

[Castillo] I just read some statements by Hernan Echavarria Olozaga, in which he said, "The Colombian people are being held hostage by the owners of real estate, and the price of their freedom is constantly rising... Perhaps the phenomenon has a lot to do with the drug traffickers' investments and the government's protection of these properties."

[Valdivieso] Sure, and Cesar de Hart has said the same thing many times: The drug traffickers are buying up all the land. They are monopolizing all the rural property, and they are also taking it out of production. Look at the bankruptcy settlements, the auctions, the construction.

[Castillo] So yes, Colombia is being held hostage by the landowners, the drug traffickers.

[Valdivieso] I think that is a good way to present the situation, therefore, like any hostage, it must seek its freedom, find the best way to get out of this dilemma.

That is why I am so concerned about the fact that some people can be persuaded that drug trafficking is not that damaging or harmful, when it really is.

[Castillo] In the short run, there are a lot of things that apparently are at least justified ...

[Valdivieso] We are at the moment of truth, when things have gotten to the point that if the drug traffickers win, society will be overwhelmed, not only because its values have been buried, but also because its right to evolution and progress, to the future, has been undermined.

[Castillo] Welcome to the future ...

[Valdivieso] Let us say that we are on the edge of the cliff. Right now the most important task is to invite people to look around them and see the harmful effects of drug trafficking and think instead about how different Colombia would be without it.

Drug Traffickers Played Dirty Pool

[Castillo] In this context, who benefited from the "apertura" [trade liberalization program]?

[Valdivieso] The "apertura" process undoubtedly helped the drug traffickers use import financing to launder money. Unfortunately, we Colombians have not been able to enjoy the benefits of the "apertura."

[Castillo] Who has, then?

[Valdivieso] The drug mafia appropriated the "apertura" for itself, and that is why the expectations that were raised have not been fulfilled.

[Castillo] A Justice Department document that was widely circulated here says that the "apertura" turned Colombia into one of the biggest money-laundering centers.

[Valdivieso] I do not think so. I know of businesses that have been made more efficient, that have improved their productivity with the same infrastructure thanks to the "apertura." The thing is, under the aegis of the "apertura," the drug traffickers played dirty pool.

[Castillo] The "apertura" also allowed for the privatization of banks. That same document contends that the biggest one was sold to a Cali family for 15 percent more than what the government was hoping to get. Is that being investigated?

[Valdivieso] I do not think so. Although I cannot venture an opinion as to whether the money was dirty. And I can cite as examples a couple of banks whose own stockholders bought shares when it appeared that outside money was trying to get in.

[Castillo] Well, but the document talks about a specific bank.

[Valdivieso] Even knowing the individuals involved, you have to give them credit for great administrative talents.

[Castillo] Are you and I talking about the same bank?

[Valdivieso] Yes, I think we are talking about the Banco de Colombia, and in that case they were able to put together some investment capability and make a profitable transaction out of it. I do not think that the tentacles of the drug traffickers were involved in that operation.

[Castillo] The "apertura" entailed cross-border integration, and there is talk that dirty money was seized from the Banco Latino de Venezuela, forcing it to declare bankruptcy.

[Valdivieso] It is possible that money from Colombian traffickers has gotten into Venezuela. But all we need is for the crisis in that country's financial system to be blamed exclusively on Colombian drug trafficking!

No Middle Ground

[Castillo] Is there any middle ground in the attitude toward drug trafficking?

[Valdivieso] No; either we decide to live with the drug traffickers and view them as inevitable—which in my opinion would be a totally unacceptable, inappropriate, and unpatriotic position, to say the least—or we confront the phenomenon head-on. And that is what we must do. The middle ground does no good.

[Castillo] And you are determined to do that?

[Valdivieso] They are at loggerheads with the country, and we must fulfill the mission that the country has assigned to us, which is to make sure justice is effective, yields results, and substantially reduces impunity. The country cannot afford to sit back and watch drug trafficking run rampant while justice authorities stand by helpless.

[Castillo] Can one infer, then, that the only way Colombia can confront the problem is to penalize money laundering?

[Valdivieso] First of all, I think that attacking money laundering is a very important tool. Next comes the proper development of constitutional norms, especially Article 34, which authorizes the nullification of the ownership of property acquired to the detriment of the public treasury or in a way that is a serious threat to social morals. And both are true of drug money.

[Castillo] But who would pass such laws?

[Valdivieso] Congress, of course.

[Castillo] With a list of five or 70 congressmen who have been singled out, and at least 25 who have been denied visas to enter the United States?

[Valdivieso] I hope that the Congress of the Republic will interpret its role as spokesman for the Colombian people, because this is what the country needs: to prevent money earned on crime from remaining in the possession of the criminals, their families, their associates, their frontmen.

The Country Can Trust My Impartiality

[Castillo] Is it very uncomfortable for a prosecutor to be investigating the president of the republic?

[Valdivieso] Right now I am not investigating President Samper. However, if I should be asked to investigate him or any other official, and if it is within my jurisdiction, I can give you every assurance that I would do so. No doubt about it.

[Castillo] And the fact that you are a Liberal, the same as the government, would not affect you? That is what some are suggesting.

[Valdivieso] Absolutely not. Before jumping to conclusions, people should look at my political and personal record. I can provide full guarantees that the risk is nonexistent. My first commitment is to my public activity, rather than to any partisan or personal interest.

I will not hesitate to act, and I will do so completely in the open.

[Castillo] The president has told you that he expects a quick ruling on the matter of the checks that have been publicized in the press. When do you expect to announce a decision?

[Valdivieso] The president has not said anything to me. (He calls for the newspaper.) Look, there is no source given for this news item.

Definitely. That matter is in the preliminary investigation stage, and it is viewed as important, because of the people and events that could be linked to it. But it is also a complex matter. That is why I am surprised when some people try to claim that we have missed some deadline, when I cannot rush into an injunction because I do not have enough evidence to launch an investigation. I prefer to exhaust this preliminary stage, and that is what is being done now by a team of officials, to clear up what happened there.

From the beginning I have made every effort to get the investigation going. I brought the case from Cali to Bogota, and that in itself shows my interest in proceeding with due diligence.

Any determination will be the result of conclusions reached, without unnecessary delays but also without haste or pressure from anyone, beginning with the mass media that are leaking confidential information.

[Castillo] Well, the law says that it is confidential, but the journalist's mission is to try to bring it to light. The same is true of the other cases...

[Valdivieso] Look, in the case of the narco-cassettes, I listened to them unofficially, and I did not find any grounds to reopen the investigation. But the important thing is not to keep blundering around in this issue, but to try to establish for certain what actually happened.

[Castillo] In the case of the narco-cassettes, suspicions were raised because of the way the decision was made, and especially the way De Greiff's order was worded.

[Valdivieso] Yes, the same was said of the narco-videos. Everyone in this country wants investigations to yield results.

[Castillo] So is this a situation in which a prosecutor who started out cleaning house is now being weakened?

[Valdivieso] Look, the thing is, people are being obsessive about this. But the investigation of the narco-cassettes could be reopened at any time.

[Castillo] We were talking about the checks ...

[Valdivieso] This investigation, which is filed under number 8,000, objectively shows that we are investigating; there are already more than 4,300 pages in the preliminary file. The problem is that certain associations are made, and then they wonder why all this is not clear to the Prosecutor's Office. But we are investigating, and I think it is going well.

[Castillo] De Greiff asked the Cali Cartel to surrender. What would you tell them?

[Valdivieso] I would tell the Cali Cartel that the rules for surrendering are still in effect ...

[Castillo] So you think the Cali Cartel does exist?

[Valdivieso] Sure, although it is not the only one. Among other reasons, because the Cali Cartel itself has managed to replicate its system in other criminal organizations.

I would tell them that there are rules in effect, and that they are the ones who have to express an interest in turning themselves in; that as far as justice officials are concerned, the idea is to show Colombians that criminals must be punished for their crimes; that the policy of surrendering to the authorities was not designed to forgive but to punish, and it is there for them to accept and surrender, not for them to subject the justice system to what they want—which, of course, is to erase their criminal record in a way that is ignominious to the country.

[Castillo] Was an investigation opened in the Exposal case?

[Valdivieso] Yes, preliminary proceedings have begun under a prosecuting attorney to find out what happened there.

[Castillo] And what about the fact that the same four or five Cali businesses turn up in connection with all these events? Does that not warrant consolidation of the cases?

[Valdivieso] On this issue, we must maintain a broad perspective, and we do not rule out the possibility of certain elements in common. Given the drug traffickers' customary practice of orchestrating their activities, it is imperative that we tie up loose ends.

If these common points should be identified during the process, obviously the appropriate decision will be made.

[Castillo] Has anyone in the government ever told you, "That Alfonso is turning into a radical, he is making things uncomfortable for us"?

[Valdivieso] Well, there have been comments that in my opinion are really aimed at sowing discord.

I think we have reached a good understanding with the president, who is very respectful of the prosecutor's jurisdiction. I would say that that is the way the relationship is and the way it should be in the future, with regard to a matter that involves not just one institution, but an entire state and society whose objective is to fight crime.

Harmony should prevail, and to be sure, there should be due respect for the autonomy and independence of this institution, because that is how it was conceived in the Constitution.

That should be the ambience of our relationship with the government: very respectful and constructive with regard to the higher interests of the state.

Ecuador

Minister: Upper Cenepa Demilitarization Making Progress

PA1104221395 Quito Voz de los Andes in Spanish 1700 GMT 11 Apr 95

[Report by Loira Carriel from "The Voz Andes Newscast"]

[FBIS Translated Text] Foreign Minister Galo Leoro Franco believes that the demilitarization process along the Ecuadoran-Peruvian border in upper Cenepa is making progress and that peace is experiencing no problem.

Leoro Franco has said the Rio de Janeiro Protocol is in effect, but this point does not mean it cannot be probed. For this reason, although Peruvian President Alberto Fujimori is denying Ecuador sovereign access to the Amazon, Ecuador will insist on this access:

[Begin recording] [Unidentified reporter] When will the demilitarization take place?

[Leoro Franco] This process is for 90 days and is nothing that can be measured with a chronometer. The process is going on normally. I do not foresee any problem.

[Reporter] We are about to leave from Base Sur.

[Leoro Franco] This departure is going to take place at any time.

[Reporter] It is taking place now.

[Leoro Franco] I do not know. I just arrived from [words indistinct]

[Reporter] We are turning Base Sur over. What are the Peruvians giving?

[Leoro Franco] This is all part of a separation, demilitarization, and demobilization process. Demilitarized zones must be established. The forces must withdraw to Coangos and to Peru's PV1 [Watch Post No. 1]. The two sides have to do their part. [end recording]

This is how Foreign Minister Galo Leoro Franco confirmed that the demilitarization along the upper Cenepa continues with the participation of international observers.

Fujimori, National Security Council Meet To Discuss Peru

PA1204041195 Quito Voz de los Andes in Spanish 1700 GMT 11 Apr 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] President Sixto Duran-Ballen met with members of the National Security Council to evaluate relations with Peru following the reelection of President Alberto Fujimori.

Military sources reported on the progress of the separation of forces process along the Ecuadoran-Peruvian border, which enters a second phase tomorrow with the delivery of bases to the military observers mission created by the guarantor countries.

Ecuador told the guarantor countries of its concern over the Peruvian concentration of forces along the Aguas Verdes region.

The National Security Council also analyzed the country's economic situation and the expenditures resulting from the latest war promoted by Peru.

Military and civilian authorities outlined the diplomatic offensive Ecuador will implement to secure international support for its thesis on a peaceful, fair, and honorable solution to the border problem with Peru and Ecuador's right to have sovereign access to the Amazon River.

Fiscal Deficit Said 3 Percent of Gross National Product

PA1204042295 Quito Voz de los Andes in Spanish 1700 GMT 11 Apr 95

[From "The Voz Andes Newscast"]

[FBIS Translated Text] Ecuador faces a fiscal deficit equivalent to 3 percent of its GNP as a result of, especially, expenditures connected with the war with Peru.

Finance Minister Mauricio Pinto told legislators that new fiscal measures are necessary to keep the deficit from increasing the inflation rate.

The government proposed to Congress last week the elimination of exonerations on the value-added tax to cover the fiscal shortage. Ecuador admits having spent approximately $250 million during the war, but direct costs were twice that amount according to independent analysts.

Before the war, Ecuador expected to close the year with a budget surplus equivalent to 0.5 percent of the GNP.

Ecuador Said To Be 'Springboard' for Drugs Bound for U.S.

PA0804203895 Quito Voz de los Andes in Spanish 2300 GMT 7 Apr 95

[From "The Voz Andes" newscast]

[FBIS Translated Text] Ecuador has become the springboard for approximately 85 percent of the drugs from South American countries bound for the United States, according to Franklin Zambrano, secretary of the National Council of Drugs and Psychotropic Substances.

Unfortunately, Ecuadoran police statistics indicate that Ecuador has been chosen as a country of transit and for the manufacture of chemical substances and coca byproducts, Zambrano said. Drugs are not produced in Ecuador with the same intensity as it is in countries located along its borders, such as Colombia and Peru. Ecuador is used as a springboard for the distribution of drugs in Europe and the United States. It is also considered a supplier of the chemical products needed to refine drugs.

In statements published by the newspaper EL UNIVERSO of Guayaquil, Zambrano charged that Ecuadoran banks do not cooperate in turning over information on accounts presumably related to drug trafficking in the country. On several occasions, the country's largest and most important banks have been asked for information. Bank representatives merely request, however, extensions of the terms for submitting the required information.

Jorge Narvaez, president of the parliamentary Narcotrafficking Commission, said the information requested from the banks is not that abundant, which raises doubts as to why they are unable to submit the bank account statements requested. Given these circumstances, we must state before the Attorney General's Office that national banks are concealing information, resulting in suspicions that money is being laundered in the country, Narvaez added.

Paraguay

Ministers Meet, Sign Communique

PY1104171095 Asuncion NOTICIAS in Spanish 7 Apr 95 p 33

[FBIS Translated Text] Uruguayan Foreign Minister Alvaro Ramos Trigo and Paraguayan Foreign Minister Luis Maria Ramirez Boettner have expressed their firm desire to join efforts with their Mercosur [Common Market of the South] partners to continue the consolidation of the integration process. They expressed interest in the progress of the negotiations with other ALADI [Latin American Integration Association] members and highlighted the renewal of talks with Mexico.

Ramos Trigo made an official 8 hour visit here on 6 April. He was met and welcomed to the country at our international airport by Ramirez Boettner, who headed a group of government authorities and Uruguayan diplomatic and consular staff in our country. A military guard rendered the appropriate honors.

The foreign ministers later "ratified the importance of private sector participation in the economic development of the two countries. They agreed on the need for another round of talks at the business sector level to promote a greater flow of investments and to implement the Colonia de Sacramento Protocol for the Reciprocal Promotion and Protection of Investment within Mercosur."

The official guest placed a wreath at the National Pantheon and then paid his first protocol visit to Ramirez Boettner. This was followed by the first working meeting, where the two ministers were accompanied by several top assistants in bilateral, regional, and multilateral affairs.

Just after noon Ramirez Boettner and his colleague lunched at the Yacht and Golf Club Hotel. After lunch, the meeting resumed at the Conference Room of the Foreign Ministry.

After evaluating bilateral relations and exchanging opinions on the main topics of multilateral interest, the two foreign ministers signed a joint communique.

They decided to call a meeting of the Joint Paraguayan-Uruguayan Coordination and Cooperation Commission on 11 and 12 May in Montevideo. Offers of cooperation will be submitted during this meeting and work groups will be created to implement the bilateral agreements pertaining to this topic.

They also decided to create the joint commission as specified in the Agreement for the Prevention, Control, Overseeing, and Repression of the Illegal Consumption and Illegal Trafficking of Drugs and Other Substances, and their specific precursors and specific chemicals.

Peru

Government To Propose Amendments to U.S. Drug Accord

PY1204020095 Lima EL COMERCIO in Spanish 5 Apr 95 p A4

[FBIS Translated Text] Peru will propose to the United States some amendments to the drug enforcement agreement so that the next U.S. allocation—which will allegedly amount to $12 million per year—can be used for what the security forces need in their struggle against drug trafficking: helicopters, larger cargo aircraft, and better defense systems.

Interior Minister General Juan Briones Davila also said that of the 10 helicopters that the United States has placed at Peru's service, seven are out of order, as they are very old aircraft that were used during the Vietnam war.

The minister said that they intend to sign a new agreement, so that with those economic resources (the future $12 million) they give us what we really need.

As is public knowledge, the money that the U.S. allocates for drug enforcement in Peru is spent principally on gasoline for the U.S. aircraft, wages and allowances for the drug enforcement agents, travel fares, their uniforms and weapons, as well as other expenditures of their personnel based in Peru.

He added that although it is true that they are helping us with about 10 helicopters, seven of those aircraft are out of order. They are old helicopters that the U.S. has rented and sent to Peru. He insisted: "Whenever they are needed, they are either out of order or undergoing maintenance work."

In the minister's opinion the new helicopters could be Mi-17 helicopters of the type the Peruvian Army uses.

The U.S. Congress recently approved increasing the financial aid to Peru to $12 million for the drug enforcement program. The current budget only amounts to $6 million, but the benefits of the new one are not yet visible because the current budget does not expire until October.

Elections Abstention Rate Lowest in Recent History

PY1104150195 Madrid EFE in Spanish 0839 GMT 11 Apr 95

[FBIS Translated Excerpt] Lima, 11 Apr (EFE)—The 20 percent rate of abstention in the general elections held on Sunday, 9 April, was one of the lowest in recent Peruvian history.

This percentage was recorded in the results of polls regarding the presidential and legislative elections conducted by the polling companies.

These projections and figures are in line with the results obtained in the electoral race for the presidency and congressional seats, which President Fujimori and his party have practically won, according to the official results released by the National Election Board (JNE), the top Peruvian electoral organization.

Francisco Diez Canseco, president of the Council for Peace, said that the 20 percent abstention rate is one of the lowest in the history of the elections and that the level of voter participation is good.

He recalled that in the elections to choose members of the Democratic Constituent Congress [CCD] in November 1992, the abstention rate was 28 percent. [passage omitted]

President Fujimori Admits Reorganization of Shining Path

PY1104230995 Lima LA REPUBLICA in Spanish 31 Mar 95 p 4

[FBIS Translated Text] President Alberto Fujimori said yesterday that he will not release any terrorist who has murdered Peruvians or foreigners. He also admitted that the Shining Path is being reorganized under "Feliciano" and the so-called Comrade Rita, who are being pursued relentlessly by the security forces.

President Fujimori, who dedicated the new pavement on Ampliacion and Pampa Alta Avenues in the settlement of Jose Carlos Mariategui in Canto Grande district, said that the 1.4 percent inflation rate in March is the lowest in the last 23 years.

Regarding terrorism, a reporter asked him: Will all the terrorists, national and foreigners, be behind bars by the end of your administration? Fujimori replied: "That is right, I make no differences, they will die in jail."

Another question was: Is it not a discredit to Feliciano that Rita is his second in command in the reorganization process the Shining Path is trying to achieve? Fujimori said: "It is being reorganized. Feliciano probably heads the military command, and Rita the political command, but either of the two of them will be captured."

Government Extends State of Emergency in Several Provinces

PY1004203495 Lima Radio Programas del Peru Network in Spanish 1727 GMT 10 Apr 95

[FBIS Translated Text] The government has postponed for 60 days the state of emergency in Oxapampa Province, Pasco Department, and in Huancayo, Concepcion, Jauja, Satipo, and (?Chanchamayor) Provinces in Junin Department.

The government also extended the state of emergency in Lucanas, Huamangas, Cangallo, and La Mar Provinces in Ayacucho Department; and in Castro, Virrey, and Huancavelica Provinces and in the town of Huaitara in Huancavelica Department.

The state of emergency was also extended in the district of Quimbiri in La Convencion Province, in Cusco Department. It was also extended in all Huanuco Department provinces except for Puerto Inca, 2 de Mayo, and San Martin Provinces.

Uruguay

Economic Bill Sent to Congress; Details Revealed

PY0704232295 Montevideo EL PAIS in Spanish 29 Mar 95 p 1

[FBIS Translated Text] Economy Minister Luis Mosca concluded his series of political contacts on 28 March and announced details of the economic measures. He thus confirmed what was published in the 28 March issue of EL PAIS. It was established that 65 percent of retirees will not be affected by the measures because 50 percent get less than three national minimum salaries and 80 percent are exempt from paying social security.

If the Program for Improving Competitiveness and the Tax Reorganization bill—which the government propose—become law, social security contributions will increase from 1 to 3 percent for 35 percent of those who contribute to the Social Security Bank (BPS) because their salaries surpass six minimum salaries (3,150 pesos).

All those who receive old age pensions and 80 percent of those who receive other types of pensions will be exempt from this measure; 50 percent of retirees will be unaffected by the measure because their incomes are under three national minimum salaries, while 20 percent of pensioners and between 35 and 40 percent of retirees will be affected by a 1 percent increase. Between 10 and 12 percent of retirees will be affected by a 3 percent increase in their contributions. Some 65 percent of retirees, about 425,000, will not be affected by the measure.

During a news conference on 28 March, Mosca confirmed what EL PAIS published on 28 March about the contents of the bill, which will be submitted to Congress today. He said the government is studying ways to get the informal sector to pay taxes through the partial retention of contributions in the stages prior to final sale, and stated that university graduated professionals will be asked to pay a kind of tax which he did not reveal.

Regarding UTE [General Administration of State Electric Power and Telephones] rates, Mosca stated that the substitution of IMESI [Specific Domestic Tax] with Value Added Tax [VAT] does not necessarily mean a rise in the cost of electricity. He explained that while the UTE is unable to charge IMESI—which is included in the cost structure—VAT can be deducted from the taxes paid by enterprises on inputs and services and cannot be computed as a component within the rate structure.

Mosca indicated that neither bus fares or OSE [State Board of Sanitation] rates will be affected by VAT. He added that the inclusion of gas oil in the VAT structure is still being studied because the bill states that when the IMESI on gas oil is reduced to zero in cannot become part of the VAT structure.

On 28 March, the minister concluded his contacts with congressmen prior to sending the bill to Congress. During the morning he met with New Space Senator Rafael Michelini and during the afternoon he met with deputies and senators-elect of the National Party.

The radio station Nuevo Tiempo on 28 March asked former President Luis Alberto Lacalle for his opinion on the government's proposal. Lacalle reiterated that for a year he would not involve himself in political matters with the exception of the constitutional reform, which he has decided to support.

Ignacio de Posadas, Lacalle's former economy minister, gave his opinion: He said the current fiscal problem, which is externally influenced, would not have emerged if the previous Congress had voted on the reforms proposed by the National Party.

Newspaper Outlines Fiscal Reforms To Be Implemented

PY0704213895 Montevideo EL PAIS in Spanish 28 Mar 95 p 1

[FBIS Translated Excerpt] The government has explained to EL PAIS that on 27 March Economy Minister Luis Mosca began a round of political contacts, beginning with the National Party, to explain the economic measures to the various political parties. He will conclude his round of contacts on 28 March, and he will announce the measures that are intended to reduce the deficit to 1.5 percent of the GDP and contribute to reducing inflation to 30 percent in the fiscal year that extends from April 1995 to March 1996. The measures include an increase of the tax on salaries and the doubling of family allowances to offset the effects of the tax increase.

The Program for Improving Competitiveness and Tax Reorganization—this is what the government will call the fiscal adjustment plan—calls for an increase of the VAT and of the tax on salaries that are higher than three national minimum salaries, but at the same time the family allowances will be doubled for workers who receive from one to six national minimum salaries (from 525 to 3,150 pesos at today's values). For families that have children, this mechanism represents an increase in the income for those who earn from one to three national minimum salaries (because 1 percent of the tax on salaries is equivalent to 11.75 pesos as a maximum, while the increase in family allowances averages 42 pesos), and it neutralizes the increase of the tax on salaries for those who earn between three and six national minimum salaries, depending on the number of children that the home contains.

The series of measures, some of which are explained in the box contained in this article, indicates that the VAT will be applied to electricity rates, but it exonerates the IMESI [Specific Domestic Tax (on Oil Imports]) that UTE [General Administration of State Electric Power and Telephones] charges the industrial and commercial sectors. The return of taxes on exports will be maintained. The industrial manufacturing sector will be exonerated from paying its contribution to social security, and it reduces the contribution of those sectors that are considered to have a major influence in the level of activities.

This package of measures has the intention of reducing the fiscal deficit to 1.5 percent of the GDP (some $200 million), reducing inflation from 44 to 30 percent in the fiscal year that runs from April 1995 to March 1996, and reducing unemployment from the current 10 percent to 8 percent in 1 year. If this program is not implemented, the fiscal deficit will rise to 4.5 percent of the GDP (some $630 million), inflation will reach 80 percent, and unemployment will rise to 12 percent in 1 year.

The implementation of this "package" is designed to neutralize the negative effects on our economy that have been caused by the regional financial crisis that began in Mexico and had serious repercussions in Argentina and Brazil, countries that have adopted adjustments that are much more severe than the adjustment that has been proposed by the Uruguayan Government. At the same time, it seeks to improve Uruguay's economic activity and its role as an exporting country by maintaining the level of employment, decreasing inflation, and maintaining the basic macroeconomic balance.

Political sources stated on 27 March that Mosca stresses that these measures are half as severe as those that were imposed by Luis Alberto Lacalle in 1990, when he took over the presidency, although he did make it clear that he was not criticizing Lacalle, but pointing out the fact that it was an authentic occurrence that had been caused by a similar effect. [passage omitted]

The main measures of the Program for Improving Competitiveness and Tax Reorganization:

1. The increase in the VAT:
a. Basic rate of 22 to 23 percent.
b. A minimum rate of 12 to 14 percent.

2. UTE rates will pay VAT.

3. UTE rates for the industrial and commercial sectors are exempt from the IMESI.

4. VAT will be applied to gas oil.

5. Public enterprises will pay taxes on assets, properties.

6. Of the profits of public enterprises, 35 percent will be handed over to the office of general taxes.

7. Tax on salaries:
a. Remains at 1 percent for those who earn between one and three national minimum salaries (from 525 to 1,175 pesos).
b. For those who earn from three to six national minimum salaries (from 1,176 to 3,150 pesos) the tax is increased from 2 to 3 percent.
c. For salaries that are higher than six national minimum salaries (more than 3,151 pesos) the tax is increased from 2 to 5 percent.

8. Family allowances:
The family allowance per child is doubled for those workers of the two lowest levels of salaries (from 1 to 3 and from 4 to 6 national minimum salaries).

9. Contributions to social security:
a. The manufacturing sector is exempt.
b. The contributions of those industrial sectors that have a major influence in national activities will be selective.

10. The return of taxes on exports is maintained.

11. Inflation: Will be reduced to 30 percent during the April 1995 to March 1996 fiscal year.

12. Unemployment: Will be reduced to 8 percent in the period of one year.

13. Fiscal deficit: With the implementation of the measures, it will be reduced to 1.5 percent of the GDP; without the measures, it will increase to 4.5 percent.

Broad Front Calls Fiscal Adjustment 'Unfair and Antisocial'

PY1104154895 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1921 GMT 8 Apr 95

[FBIS Translated Text] Montevideo, 8 Apr (AFP-NA)—Liber Seregni, the president of the Uruguayan left coalition Broad Front, has announced a mobilization program against the fiscal adjustment proposed by the administration of President Julio Maria Sanguinetti. Seregni described as "unfair and antisocial" the fiscal adjustment.

During a news conference, Seregni said the bill on tax reforms and public spending cuts that the executive branch has sent to Congress caused "frustration among the population" and "lacks a clear goal."

The leader of the Broad Front—a coalition of socialists, communists, and former Tupamaros guerrillas—warned that his organization would launch over the next few days "a campaign of mobilizations" to reject the measures. The campaign will include "rallies, mobilizations on the streets, and popular assemblies." He said the goal is "to enable the people to regain hope and consciousness and to find the solutions required by our country."

Seregni made this announcement the day after the Chamber of Deputies approved the fiscal adjustment bill that will now be reviewed by the Senate. A total of 62 deputies voted for the bill and 36 against.

The Broad Front is Uruguay's third-ranking political force (it received 30 percent of the votes in the November 1994 elections). The Broad Front holds the mayoralty of Montevideo, a traditional Uruguayan leftist stronghold. About 50 percent of the Uruguayan population lives in Montevideo.

The bill was supported by deputies from the traditional government coalition—which comprises the Blanco Party and the Colorado Party—while deputies from the Broad Front and the New Sector (social democratic) voted against it.

Economy Minister Luis Mosca's new package of measures includes direct tax increases—on VAT [Value Added Tax] and the tax imposed on wages—as well as measures to curb public spending and improve the level of competitivity of Uruguayan industries.

Mosca has said the fiscal adjustment seeks to curb inflation, achieve a trade balance, and promote employment by reducing labor costs for companies.

The bill was also rejected by the Uruguayan labor unions that sponsored a general strike on 6 April, the first strike faced by Sanguinetti since he was installed on 1 March.

Economy Minister Praises Mercosur Progress

PY1104131595 Buenos Aires TELAM in Spanish 1520 GMT 10 Apr 95

[FBIS Translated Text] Montevideo, 10 Apr (TELAM-SEM)—Uruguayan Economy Minister Luis Mosca has said "a lot more progress has been achieved" in the four years to create the Mercosur [Common Market of the South] "than in decades of working on ALADI" (Latin American Integration Association).

Mosca and congressmen from the entire Uruguayan political spectrum participated in the "Key Issue" television program on Channel 10 of Montevideo. They reviewed and discussed the Uruguayan economic situation and future fiscal adjustments approved by the Uruguayan Chamber of Deputies.

The Uruguayan economy minister said he believes "the destiny of countries in our region involves a huge free trade zone." He said he believes it will be established early next century.

Mosca said Uruguay must progress this year in areas that should have been worked on a long time ago, adding that this progress "has not been achieved until now."

The minister, who forms part of President Julio Maria Sanguinetti's new administration, confirmed there will be a new common currency within Mercosur. He said it would be impossible for "very small economies to pursue their monetary issuances."

Responding to criticism by leftists over the monetary policy, Mosca said 85 percent of Uruguayan savings are in U.S. dollars—a fact that he believes downgrades the Uruguayan peso.

President Sanguinetti has just won a vast majority in the Chamber of Deputies for his economic adjustment program. It is hoped this economic adjustment program will ultimately become law in the Senate following agreement between the two leading political parties, the Colorado Party and the Blanco Party, which make up the government coalition.

The leftist social democratic New Sector party rejected the fiscal adjustment, while the Inter-Union Workers Plenum-National Convention of Workers (PIT-CNT) launched a campaign to reject the "neoliberal program." This campaign began on 6 April with a four hour general strike that was partially observed.

The fiscal adjustment involves increasing from 22 to 23 percent the general Value Added Tax (VAT) rate and increasing from 12 to 14 percent the minimum VAT rate.

The fiscal adjustment also involves increasing from 2 to 3 percent the taxes paid by those who earn minimum wages, and increasing by 6 percent the taxes paid by those who earn more than six minimum wages (about $525).

The tax on gasoline-fueled cars will rise from 22 to 25 percent, while the tax on diesel-fueled cars will rise to 30 percent.

Venezuela

Businessmen Agree To Freeze Prices

PA1104033495 Caracas EL UNIVERSAL in Spanish 9 Apr 95 Section 2 p 1

[Report by Giuliana Chiappe]

[FBIS Translated Text] Talks on anti-inflationary measures between the executive branch and the private sector will continue after the Holy Week break. If the plans of the meeting participants come about, a pact to slow down price increases could start operating in late May. The businessmen, who represented Fedecamaras [Venezuelan Federation of Associations and Chambers of Commerce and Industry], Conindustria [Venezuelan Council of Industry], and Cavidea [Venezuelan Food Industry Chamber] at the meeting, which started on 7 April at the Central Bank, agreed to freeze their prices. In exchange, the government committed itself to not devaluating the bolivar to finance its deficit, to tackle the deficit without affecting inflation, and to increase the salary of workers without affecting the productive sector.

These measures force a review of the scales and the concept of the bond itself. Finance Minister Luis Raul Matos assured that there are no plans to increase the minimum salary of 15,000 bolivares in exchange for easing the economic impact of the bonds, but he added that "the definite measures are already being studied" and that the private sector agreed to let the government work out the details of a scheme to increase the workers' salaries.

No inflation rate goal for 1995 was agreed upon during the meeting. The issue that was discussed was improving salaries without affecting the companies, and we are working on that with the Labor Ministry.

The bond idea was not rejected by the meeting participants, not even by the business representatives, but they did talk about reviewing scales and guaranteeing they do not affect the liabilities of the labor sector.

We all agreed the cost of the salary bonds can be absorbed by the companies without affecting prices, because they will not affect the level of social benefits, Matos added.

The finance minister emphatically warned the businessmen that price speculation on the part of the importers and those working with products from other markets will not be tolerated, because they are acquiring foreign currency at a stable rate of 170 bolivares per dollar, and this rate will apparently be maintained throughout 1995.

According to Finance Minister Matos, businessmen are willing to freeze the prices of the goods with which they trade. Staples will be included in this freeze. The minister did not say how long this self-imposed freeze on the part of the businessmen will last but anticipated that it will be less than six months and that it will be frequently reviewed.

He said: Our anti-inflation pacts are similar to those implemented in Mexico, Colombia, and Israel. We have no supply shortages despite demand increases resulting from salary hikes. We have established that enterprises have enough supplies to cover the demands. Talks by the

Federation of Farmers and the Chamber of the Food Industry to reach an agreement against an increase in the cost of living are well advanced.

During Friday's meeting at the Central Bank of Venezuela, the government promised to apply the system for the restricted sale of foreign exchange in a flexible manner. Matos admitted the government does not like to impose controls, and he spoke of the possibility of liberating prices.

He said: If we see that the self-imposed price freeze and the agreement function after the agreement has been in effect for a few months, we could discuss the idea of dismantling the official price control system. He added: If the meetings take place as scheduled and we conclude the discussions in April, we will be able to observe the first results of the anti-inflation plan at the end of May.

If government promoted budget cuts are implemented, it will be possible to maintain the current dollar-bolivar rate for 18 months, from July 1994-December 1995. Ministers are holding talks with a view to cutting this year's budget by 300 billion bolivares.

The minister said: We will make cuts taking into consideration our capability to produce them through austerity plans and establishing what targets cannot be reached. We want to dispense with the notion of drawing budgets without considering our real income. The government says it is prepared to reduce the number of bodyguards, drivers, daily expenses, and celebrations, among others.

The deficit cut is also aimed at checking inflation to keep prices businessmen will try to control free of pressure.

The minister said: Budget allotments will be eliminated based on proposals by each minister who will review his budget programs and decide what can be discarded. We also want to increase revenues, as announced by the Tax Administration Superintendency.

Yesterday, Brady Bonds of the Venezuelan debt were quoted in the Caracas Securities Exchange for the first time.

In the New York Stock Exchange, these securities are negotiated in dollars, with a price of proximately 44 percent. They are being quoted on the Caracas exchange at approximately 63 percent. The Caracas Securities Exchange traded $1.5 million in Brady Bonds yesterday. The acquisition of Brady securities allows Venezuelans to pay for them in bolivares and guarantees the securing of dollars, because these bonds can be quoted in foreign exchange in the international market. Those who acquire dollars in this way pay for them from 240-255 bolivares while the fixed exchange rate is 170 bolivares. Matos admitted that this way of acquiring foreign exchange, negotiating with Brady Bonds, is an untypical situation and that exchange laws do not allow it. He said, though, the government does not plan to impose sanctions on the local securities market.

Government Bans Weapons Transport Via Aircraft

PA0804153795 Mexico City NOTIMEX in Spanish 1714 GMT 6 Apr 95

[FBIS Translated Text] Foreign Minister Miguel Angel Burelli reported today the Venezuelan Government has decided to ban the overflight of any kind of aircraft transporting weapons or war materiel in the country's airspace.

The government's decision was triggered by the scandal of the third party case of Argentine weapons sent to Ecuador, through Venezuela, during the border conflict with Peru and in which the Venezuelan Defense Ministry appeared as the purchaser of those weapons.

The diplomat reported only Venezuelan Military Industries, Inc. (CAVIM) and Venezuelan Air Force planes are authorized to transport weapons in this country's territory.

Burelli said a plane carrying weapons attempted to fly over Venezuelan territory during the past days and had been detoured from its airspace.

Milton Pirela, owner of an Argentine weapons outlet in Venezuela, is still under arrest for his alleged participation in the sale of weapons to Ecuador and the alleged forgery of the signature of a high-ranking Venezuelan officer.

A shipment of weapons manufactured in Argentina and valued at approximately $30 million was apparently sold to Ecuador during this country's confrontation with Peru through a third party transaction with Venezuela.

Pirela owns the Hayton Trade Company, which has the exclusive representation in Venezuela of the Direccion General Fabricaciones Argentinas for a period of two years that started on 22 March 1994.

The businessman, who is under arrest, has to answer the Military Intelligence Directorate's (DIM) queries on documents that made it seem as if the Venezuelan Armed Forces had requested the weapons.

Information coming from Buenos Aires has indicated the Argentine Government had sold 75 tons of weapons to Venezuela, and they ended up in the hands of the Ecuadoran Army.

Government Supports Human Rights Report on Cuba

PA0704154095 Caracas EL UNIVERSAL in Spanish 5 Apr 95 pp 1, 14

[FBIS Translated Text] The Venezuelan Government has voted in favor of the report presented by the Human Rights Commission on the situation in Cuba, because it had observed no progress in this regard in the island.

Foreign Minister Angel Burelli Rivas made this statement during a meeting with members of the Senate Foreign Policy Commission. Burelli Rivas discussed with them Foreign Ministry issues and Venezuela's position on Cuba and the UN Human Rights Commission.

He said: "We pursued the course of the investigations carried out by the Human Rights Commission on the situation in Cuba, and we realized after reading the report prepared by the commission that the situation on the island was the same as last year's, if not worse. This finding moved the Venezuelan Government to change the vote issued in Geneva."

He said: We believe it is contradictory to criticize the human rights situation in other countries while permitting Cuba to indefinitely maintain a situation that indicates no sign of essential change. This was the reason for the vote.

Regarding Venezuela's image as a country respectful of human rights, and the influence Cuba has exerted in the media to make us appear as a nation that does not respect these rights, Burelli Rivas said "our image has not deteriorated, because Cuba may not agree with our vote. There is no relation."

Burelli said there is a huge difference between the two countries regarding the defense of human rights. He explained that "every time human rights are violated in Venezuela, this is done by a nongovernment organization. State bodies are the ones who denounce these violations. The statements made by Father Olaso are a pathetic example of this, and Father Olaso is in the government. He is the director of the Human Rights Department of the Prosecutor's Office. Contrary to Cuba, where the Human Rights Commission must visit to check on cases and to prepare a report listing names and pathetic circumstances, here, the state takes the initiative to denounce cases."

The Venezuelan foreign minister said that relations with Cuba have not been hampered but, rather, that the Cuban reaction, as expressed by Cuba's ambassador to Caracas, was very moderate.

Regarding the process of receiving Cuban rafters in Venezuela, Burelli Rivas said "the policy that was designed, independently from Cuba, of course, during the rafters juncture, was aimed at resolving the tragic situation of people who took to the seas. This situation was taken lightly by certain countries that offered concentration camps to house the Cubans and had a bad experience. The president then decided that we should not admit Cubans in this manner and that we should not take money being offered by the United States, because we did not believe that it was wise to receive the Cubans but that the money should be offered to the Cubans so they may begin a new life.

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